

## 5. Detailed study guide

### A Strategic planning and control

#### 1. Strategic management accounting

- a) Explain the role of strategic performance management in strategic planning and control.<sup>[2]</sup>
- b) Discuss the role of performance measurement in checking progress towards the corporate objectives.<sup>[2]</sup>
- c) Compare planning and control between the strategic and operational levels within a business entity.<sup>[2]</sup>
- d) Discuss the scope for potential conflict between strategic business plans and short-term localised decisions.<sup>[2]</sup>
- e) Evaluate how models such as SWOT analysis, PEST, Boston Consulting Group, balanced scorecard, Porter's generic strategies and 5 Forces may assist in the performance management process.<sup>[3]</sup>
- f) Apply and evaluate the methods of benchmarking performance.<sup>[3]</sup>
- g) Evaluate how risk and uncertainty play an important role in planning, decision-making and reporting of performance at all levels of an organisation, including the impact of the different risk appetites of stakeholders.<sup>[3]</sup>

#### 2. Performance hierarchy

- a) Discuss how the purpose, structure and content of a mission statement impacts on performance measurement and management.<sup>[2]</sup>
- b) Discuss how strategic objectives are cascaded down the organisation via

the formulation of subsidiary performance objectives.<sup>[2]</sup>

- c) Apply critical success factor analysis in developing performance metrics from business objectives.<sup>[3]</sup>
- d) Identify and discuss the characteristics of operational performance.<sup>[2]</sup>
- e) Discuss the relative significance of planning activities as against controlling activities at different levels in the performance hierarchy.<sup>[3]</sup>
- f) Explain the performance 'planning gap' and evaluate alternative strategies to fill that gap.<sup>[3]</sup>

#### 3. 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.<sup>[3]</sup>
- b) Evaluate different types of budget variances and how these relate to issues in planning and controlling organisations.<sup>[3]</sup>
- c) Evaluate the increased use of non-traditional profit-based performance measures in controlling organisations (e.g. beyond budgeting).<sup>[3]</sup>

#### 4. 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.<sup>[2]</sup>
- b) Assess the changes to management accounting systems to reflect the needs of modern service orientated businesses compared with the needs of a traditional manufacturing industry.<sup>[3]</sup>

- c) Assess the influence of Business Process Re-engineering on systems development and improvements in organisational performance.<sup>[3]</sup>
- d) Analyse the role that performance management systems play in business integration using models such as the value chain and McKinsey's 7S's.<sup>[3]</sup>
- e) Discuss how changing an organisation's structure, culture and strategy will influence the adoption of new performance measurement methods and techniques.<sup>[3]</sup>
- f) 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.<sup>[3]</sup>

## **5. Environmental, social and governance factors**

- a) Discuss the ways in which stakeholder groups operate and how they influence an organisation and its performance measurement and performance management systems (e.g. using Mendelow's matrix).<sup>[3]</sup>
- b) Discuss the social and ethical issues that may impact on strategy formulation and evaluate the role of the management accountant in the collection of data, measurement and reporting of social and environmental factors, such as are used to demonstrate a wider view of performance in reporting, for example, sustainability.<sup>[3]</sup>
- c) Discuss, evaluate and apply environmental management accounting using for example lifecycle costing, input-output analysis and activity-based costing.<sup>[3]</sup>

## **B Performance management information systems and developments in technology**

### **1. Performance management information systems**

- a) Discuss, with reference to performance management, ways in which the information requirements of a management structure are affected by the features of the structure.<sup>[2]</sup>
- b) Evaluate the compatibility of management accounting objectives and the management accounting information systems.<sup>[3]</sup>
- c) Discuss the issue of data silos and the problems they present for the accounting function.<sup>[2]</sup>
- d) Discuss the integration of management accounting information within an overall information system, for example the use of enterprise resource planning systems.<sup>[2]</sup>
- e) Evaluate whether the management information systems are lean and the value of the information that they provide (e.g. using the 5 Ss).<sup>[3]</sup>
- f) Evaluate the external and internal factors (e.g. anticipated human behaviour) which will influence the design and use of a management accounting system.<sup>[3]</sup>

### **2. Sources of management information**

- a) Discuss the principal internal and external sources of management accounting information, their costs and limitations.<sup>[2]</sup>
- b) Demonstrate how the information might be used in planning and controlling activities e.g.

benchmarking against similar activities.<sup>[3]</sup>

### 3. Recording and processing systems and technologies

- a) Demonstrate how the type of business entity will influence the recording and processing methods.<sup>[2]</sup>
- b) Discuss how IT developments may influence management accounting systems (e.g. unified corporate databases, process automation, the internet of things, RFIDs, cloud and network technology).<sup>[3]</sup>
- c) 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 (e.g., through the use of artificial intelligence (AI), enterprise resource planning, knowledge management and customer relationship management systems and also, data warehouses).<sup>[3]</sup>
- d) Discuss the difficulties associated with recording and processing data of a qualitative nature.<sup>[2]</sup>

### 4. Data analytics

- a) Discuss the development of big data and its impact on performance measurement and management, including the risks and challenges it presents.<sup>[3]</sup>
- b) Discuss the impact of big data and data analytics on the role of the management accountant.<sup>[3]</sup>
- c) Demonstrate and evaluate different methods of data analysis (e.g. descriptive, diagnostic and predictive analytics).<sup>[3]</sup>
- d) Discuss the use of alternative methods of data analytics (e.g. text, image, video and voice analytics and sentiment analysis).<sup>[2]</sup>

- e) Discuss the ethical issues related to information collection and processing (e.g. the use of 'black box' algorithms and large-scale data collection and mining).<sup>[2]</sup>

### 5. Management reports

- a) Evaluate the output reports of an information system in the light of.<sup>[3]</sup>
  - i) best practice in presentation;
  - ii) the objectives of the report/organisation;
  - iii) the needs of the readers of the report; and
  - iv) avoiding the problem of information overload
  - v) the use of presentation techniques such as data visualisation
- b) Advise on common mistakes and misconceptions in the use of numerical data used for performance measurement.<sup>[3]</sup>
- c) Explore the role of the management accountant in providing key performance information for integrated reporting to stakeholders.<sup>[2]</sup>

## C Strategic performance measurement

### 1. Strategic performance measures in private sector

- a) Demonstrate why the primary objective of financial performance should be primarily concerned with the benefits to shareholders.<sup>[2]</sup>
- b) Discuss the appropriateness of, and apply different measures of performance, including:<sup>[3]</sup>
  - i) Gross profit and operating profit
  - ii) Return on Capital Employed (ROCE)
  - iii) Return on Investment (ROI)
  - iv) Earnings Per Share (EPS)
  - v) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

- vi) Residual Income (RI)
  - vii) Net Present value (NPV)
  - viii) Internal rate of return and modified internal Rate of Return (IRR, MIRR)
  - ix) Economic Value Added (EVA™)
- c) Discuss why indicators of liquidity and gearing need to be considered in conjunction with profitability.<sup>[3]</sup>
- d) Compare and contrast short and long run financial performance and the resulting management issues.<sup>[3]</sup>
- e) Assess the appropriate benchmarks to use in assessing performance.<sup>[3]</sup>
- 2. 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™).<sup>[3]</sup>
- b) Discuss the need for separate measures in respect of managerial and divisional performance.<sup>[2]</sup>
- c) Discuss the circumstances in which a transfer pricing policy may be needed and discuss the necessary criteria for its design.<sup>[2]</sup>
- d) Demonstrate and evaluate the use of alternative bases for transfer pricing.<sup>[3]</sup>
- e) Explain and demonstrate issues that require consideration when setting transfer prices in multinational companies.<sup>[2]</sup>
- 3. Strategic performance measures in not-for-profit organisations**
- a) Highlight and discuss the potential for diversity in objectives depending on organisation type.<sup>[3]</sup>
- b) Discuss the difficulties in measuring outputs when performance is not judged in terms of money or an easily quantifiable objective.<sup>[2]</sup>
- c) Discuss the use of benchmarking in public sector performance (league tables) and its effects on operational and strategic management and client behaviour.<sup>[3]</sup>
- d) Discuss how the combination of politics and the desire to measure public sector performance may result in undesirable service outcomes e.g. the use of targets.<sup>[3]</sup>
- e) Assess 'value for money' service provision as a measure of performance in not-for-profit organisations and the public sector.<sup>[3]</sup>
- 4. Non-financial performance indicators**
- a) Discuss the interaction of non-financial performance indicators with financial performance indicators.<sup>[3]</sup>
- b) Identify and discuss the significance of non-financial performance indicators in relation to employees and product/service quality e.g. customer satisfaction reports, repeat business ratings, customer loyalty, access and availability.<sup>[3]</sup>
- c) Discuss the difficulties in interpreting data on qualitative issues.<sup>[2]</sup>
- d) Discuss the significance of brand awareness and company profile and their potential impact on business performance.<sup>[3]</sup>
- 5. 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:<sup>[3]</sup>  
Kaizen costing,  
Target costing,  
Just-in-time, and  
Total Quality Management.

- b) Assess the relationship of quality management to the performance management strategy of an organisation including the costs of quality.<sup>[3]</sup>
- c) Justify the need and assess the characteristics of quality in management information systems.<sup>[3]</sup>
- d) Discuss and apply Six Sigma as a quality improvement method using tools such as DMAIC for implementation.<sup>[2]</sup>

## **6. Performance measurement and strategic Human Resource Management issues**

- a) Advise on the relationship of HR management to performance measurement (performance rating) and suitable remuneration methods.<sup>[3]</sup>
- b) Advise on the link between achievement of the corporate strategy and the management of human resources (e.g. through the Building Block model).<sup>[2]</sup>
- c) Discuss and evaluate different methods of reward practices, including the potential beneficial and adverse consequences of linking reward to performance measurement.<sup>[3]</sup>

## **7. Other behavioural aspects of performance measurement**

- a) Discuss the accountability issues that might arise from performance measurement systems.<sup>[3]</sup>
- b) Assess the statement; 'What gets measured, gets done' in the context of performance management.<sup>[3]</sup>
- c) Demonstrate how management style needs to be considered when designing an effective performance measurement system (e.g. Hopwood's management styles).<sup>[3]</sup>

## **D Performance evaluation**

### **1. Alternative views of performance measurement and management**

- a) Apply and evaluate the 'balanced scorecard' approach as a way in which to improve the range and linkage between performance measures.<sup>[3]</sup>
- b) Apply and evaluate the 'performance pyramid' as a way in which to link strategy, operations and performance.<sup>[3]</sup>
- c) Apply and evaluate the work of Fitzgerald and Moon that considers performance measurement in business services using building blocks for dimensions, standards and rewards.<sup>[3]</sup>
- d) Discuss and evaluate the application of activity-based management.<sup>[3]</sup>
- e) Evaluate and apply the value-based management approaches to performance management.<sup>[3]</sup>

### **2. Strategic performance issues in complex business structure**

- a) Discuss the problems encountered in planning, controlling and measuring performance levels, e.g. productivity, profitability, quality and service levels, in complex business structures.<sup>[3]</sup>
- b) Discuss the impact on performance management of the use of business models involving strategic alliances, joint ventures and complex supply chain structures.<sup>[3]</sup>

## **E Professional skills**

### **1. Communication**

- a) Inform concisely, objectively and unambiguously, adopting a suitable style and format, using appropriate technology.<sup>[3]</sup>

- b) Advise using compelling and logical arguments, demonstrating the ability to counter argue where appropriate.<sup>[3]</sup>
- c) Clarify and simplify complex issues to convey relevant information in a way that adopts an appropriate tone and is easily understood by and reflects the requirements of the intended audience.<sup>[3]</sup>
- 2. Analysis and evaluation**
- a) Investigate relevant information from a range of sources, using appropriate analytical techniques, to establish reasons and causes of issues, assist in decision-making and to identify opportunities or solutions.<sup>[3]</sup>
- b) Consider information, evidence and findings carefully, reflecting on their implications and how they can be used in the interests of the individual, business function, division and the wider organisational goals.<sup>[3]</sup>
- c) Assess and apply appropriate judgement when considering organisational plans, initiatives or issues when making decisions; taking into account the implications of such decisions on the organisation and those affected.<sup>[3]</sup>
- d) Appraise information objectively with a view to balancing the costs, risks, benefits and opportunities, before advising on or recommending appropriate solutions or decisions.<sup>[3]</sup>
- 3. Scepticism**
- a) Explore the underlying reasons for key organisational plans, issues and decisions, applying the attitude of an enquiring mind, beyond what is immediately apparent.<sup>[3]</sup>
- b) Question opinions, assertions and assumptions, by seeking justifications and obtaining sufficient evidence for either their support and acceptance or rejection.<sup>[3]</sup>
- c) Challenge and critically assess the information presented or decisions made, where this is clearly justified, in the wider professional, ethical, organisational, or public interest.<sup>[3]</sup>
- 4. Commercial acumen**
- a) Demonstrate awareness of organisational and external factors, which will affect the measurement and management of an organisation's strategic objectives and operational activities.<sup>[3]</sup>
- b) Recognise key issues in determining how to address or resolve problems and use judgement in proposing and recommending commercially viable solutions.<sup>[3]</sup>
- c) Show insight and perception in understanding behavioural responses, process and system-related issues and wider organisational matters, demonstrating acumen in offering advice and arriving at appropriate recommendations.<sup>[3]</sup>
- F Employability and technology skills**
- 1. Use computer technology to efficiently access and manipulate relevant information**
- 2. Work on relevant response options, using available functions and technology, as would be required in the workplace**
- 3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools**
- 4. Present data and information effectively, using the appropriate tools**