

CPA PROFESSIONAL: PERFORMANCE MANAGEMENT

Aim

The aim of this module is to ensure that students have the necessary management accounting expertise and competence to conduct a critical, strategic analysis of unfamiliar business situations. This includes the ability to select, integrate and apply the appropriate techniques and approaches in order to identify problems, opportunities and recommend strategic solutions.

Performance Management as an Integral Part of the syllabus

This module builds on the learning from the domains of statistics, economics, management accounting and finance. Performance Management requires students to integrate and expand that technical knowledge so as to provide a framework for strategic analysis of business issues.

Syllabus and Subject Dependencies

LEVEL	SUBJECT					
CPA Foundation	Financial Accounting	Management Fundamentals	Taxation		Management Accounting	
CPA Professional	Financial Reporting	Corporate Law	Advanced Taxation	Audit & Assurance	Performance Management	Managerial Finance
CPA Strategic	Advanced Financial Reporting	Strategy & Leadership	Advanced Tax Strategy	Advanced Audit & Assurance	Data Analytics for Finance	Strategic Corporate Finance

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Select and apply performance management techniques to given business situations to develop relevant options for the decision maker(s)
- Propose relevant performance management techniques for a given organisation assessing the strategic advantages or adverse side effects arising from their implementation
- Identify performance management structures that can be applied to improved performance management in an organisation
- Assess the impact of existing, or proposed, performance structures on organisational performance, behaviours, and work practices and make suggestions for improvements
- Describe and interpret analytical models in a performance management context
- Identify and discuss emerging developments relevant to an organisation's performance management systems and discuss the impact on the role of the management accountant.

Indicative Syllabus

		Competency Level
Advanced Decision Making	<ul style="list-style-type: none"> • Pricing decisions • Target & lifecycle costing • Profitability analysis • Theory of constraints, throughput and backflush accounting • Activity based management & analysis • Measuring and managing uncertainty • Multiple limiting factors / constraints • Process improvement 	3 2 3 2 2 3 2 2
Planning & Control	<ul style="list-style-type: none"> • Budgetary control systems • Alternative approaches to budgeting • Control of engineered, committed and discretionary costs • Advanced variance analysis • Standard costing and variance analysis in modern manufacturing • Scenario planning 	3 3 3 3 3 3
Analytics in performance measurement	<ul style="list-style-type: none"> • Business analytics • Predictive analytics: regression analysis and software tools • Predictive analytics: model evaluation • Data visualisation 	1 1 2 1
Divisional Performance Evaluation	<ul style="list-style-type: none"> • Divisional profitability: return on investment and residual income • Economic and managerial performance evaluation • Economic value added • Value-based management • Transfer pricing • Transfer pricing and taxation 	3 3 2 3 3 2
Performance Measurement Systems	<ul style="list-style-type: none"> • Mission statements, objectives, strategies and goals • Performance measurement in modern manufacturing environments • Alternative competitive strategies • Monitoring the external environment • Financial and non-financial performance measurement • Benchmarking • Performance measurement models • Incentive schemes 	3 3 3 3 3 2 3 2
Emerging and disruptive technologies	<ul style="list-style-type: none"> • Technologies such as blockchain, artificial intelligence and Internet of Things 	1

Learning Guide

Advanced decision making

- Understand the importance of costs in pricing decisions, price-setting and price-taking firms. Understand and apply short and long-term pricing including strategic considerations and pricing policy, revenue management, profit optimisation, services pricing, product mix and pricing.
 - Explain and apply target costing as a pricing mechanism, understand target costing in a cost management and value creation context
 - Explain the stages of lifecycle, illustrate the allocation of costs to various stages of lifecycle including committed costs and disposal/de-commissioning/environmental costs.
 - Analyse product, service, segment or customer profitability including the incorporation of activity-based costing; evaluate decisions on making or buying products, ceasing products/services/activities, in-sourcing and outsourcing - including use of contribution analysis.
 - Explain key elements of the theory of constraints
 - Understand the concept of throughput accounting
 - Calculate and apply the throughput accounting ratio and throughput contribution per factory hour
 - Understand and apply backflush accounting entries in a just-in-time environment.
 - Identify business activities (activity analysis) and interpret the use of activity-based techniques (including activity-based costing) in broader management.
 - Understand risk attitudes; apply risk appraisal techniques including expected values, maximax/maximin/regret criteria, decision trees and sensitivity analysis.
 - Understand and formulate linear programming models
 - Determine solutions to linear programming models using the graphical method; understand the use of spreadsheets to solve linear programming models.
 - Describe general concepts of continuous improvement (Kanban), techniques such as business process engineering Total Quality Management, Lean Management and Six Sigma.
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Planning and control

- Understanding budgeting and how is it used as a means of planning and control within organisations through the identification of the various purposes of budgetary control systems.
 - Distinguish between the alternative approaches to budgeting including incremental, zero-based, activity based, rolling budgets and 'beyond' budgeting techniques.
 - Compare and contrast these alternative approaches and critique the benefits and drawbacks of each.
 - Explain how the control of engineered, committed and discretionary costs impacts on the budgeting process.
 - Demonstrate the ability to understand, apply and interpret advanced variance analysis, including – sales mix and quantity variances, sales market size and sales market share variances; material mix and yield variances; labour mix and yield variances and planning and operational variances.
 - Understand and apply the learning curve effect in the calculation of variances
 - Appreciate controllable and non-controllable variances as applicable to individuals and/or departments/segments within organisations.
 - Examine the factors that influence the decision to investigate variances and outline the various techniques that can be adopted in making such decisions.
 - Critically appraise the use of standard costing and variance analysis as applied to modern manufacturing.
 - Describe and apply what is meant by scenario planning e.g. 'what if' analysis
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Analytics in performance measurement

- Define business analytics (1)
 - Explain data sources, internal and external, which may be useful in a forecasting and performance management context (1)
 - Describe multiple regression analysis and the use of statistical software in a forecasting and performance management context (1)
 - Understand and evaluate the assumptions underlying multiple regression analysis - linear relationship, multivariate normality, multicollinearity, auto-correlation, homoscedasticity (2)
 - Evaluate statistical model outputs including the coefficient of determination (r^2), t-value and p-value (2)
 - Define data visualisation (1)
 - Describe visualisation tools within spreadsheets and other tools such as Tableau (1).
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Learning Guide contd.

Divisional performance evaluation

- Understanding differences between divisional and non-divisional organisational structures and the resultant approach to performance evaluation
 - Explain the various types of responsibility centres – investment, profit, revenue, cost and understand the best metrics of assessing performance within each
 - Apply and interpret the key measures of divisional profitability - return on investment and residual income and critically evaluate the benefits and drawbacks of each.
 - Understand such measures in the context of overall divisional performance.
 - Understand the challenges associated with allocating costs to divisions and consider the impact this has on divisional performance evaluation (controllable v non controllable costs)
 - Recognise the importance of the distinction between economic and managerial performance evaluation
 - Understand and apply the economic value added technique of performance evaluation
 - Explain the principles underlying value-based management
 - Understand options available to establish transfer prices within an organisation (e.g. cost-plus, market based, negotiated and dual prices), and demonstrate an ability to apply these in given scenarios.
 - Critically evaluate the appropriateness of each option as a measure of divisional evaluation considering factors such as goal congruence, divisional autonomy and sub-optimisation.
 - Outline the connections between transfer pricing options adopted by organisations and the taxation implications arising thereon.
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Performance measurement systems

- Define the meaning of a performance measurement system
 - Explain the importance of an organisations mission statements, objectives, strategies and goals in developing an effective performance measurement system.
 - Describe and evaluate performance measurement in modern manufacturing environments including Just-in-time (JIT), Total Quality Management (TQM), and lean manufacturing.
 - Understand and describe alternative competitive strategies available to an organisation, providing critical analysis as to the applicability in a given scenario
 - Outline and explain how an organisation may monitor its external environment - including the use of competitor accounting
 - Outline, with examples, what is meant by financial and non-financial performance measurement, demonstrate an ability to interpret the results and draw conclusions thereon
 - Understand the concept of external benchmarking as a method of performance measurement.
 - Understand and describe the various performance measurement models, including the balanced scorecard, providing critical analysis on the benefits and drawbacks of the models.
 - Document the nature of incentive schemes that could be adopted by an organisation and evaluate their effectiveness as a method of assisting in performance measurement.
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Emerging and disruptive technologies

- Discuss emerging and disruptive technologies – concepts such as machine learning, artificial intelligence, internet of things, blockchain and robotics and their use in/effect on performance measurement and performance management.
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Learning Resources

Core Texts

Drury / Management & Cost Accounting 10ed / Cengage 2018 / ISBN-13: 978-1473748873

W. Seal, C. Rohde, R. H. Garrison & E. W. Noreen / Management Accounting / McGraw-Hill 6th ed 2018 / ISBN-13: 978-0077185534.

C. T. Horngren / A. Bhimani, S. M. Datar & M. Rajan / Management and Costing Accounting / 7th ed 2019 Pearson/ ISBN-13: 978 1292232669.

Additional texts

Evans / Business Analytics, 2ed Global / Pearson 2017 / ISBN-13: 978-1-292-09544-8

Camm et al. / Business Analytics, 3ed/Cengage 2019 / ISBN-13: 978-1-337-40642-0