

## STAGE: PROFESSIONAL 2

Subject Title:

### STRATEGIC PERFORMANCE MANAGEMENT

Examination Duration: 3.5 hours (Open Book)

#### Aim

The aim of this subject is to ensure that students have the necessary 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 strategies in specific situations.

#### Strategic Performance Management as an Integral Part of the Syllabus

This subject builds on the technical knowledge of *Managerial Finance*, *Management Accounting*, and other disciplines acquired in the earlier examination stages. *Strategic Performance Management* requires students to integrate and expand that knowledge so as to provide a framework for strategic analysis of business issues.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws and Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1			Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Strategic Performance Management further integrates and builds on, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

## Learning Outcomes

On successful completion of this subject, students should be able to:

- Select, integrate, and apply strategic performance management techniques appropriate to the particular context of specific (but novel and possibly unstructured) business situations described in a case-study, through the application of critical strategic thinking, appropriate professional scepticism and ethical judgement.
- Justify a portfolio of strategic performance management techniques selected by reference to the particular illustrative context of a case-study situation (and not merely by repetition of abstract or textbook knowledge) and:
- Predict the strategic advantages for the organisation of applying the proposed techniques in the particular situation;
- Predict any possible adverse side-effects and propose means of minimising such effects.
- Critically evaluate existing and proposed strategic performance management structures as described in a particular case study, and:
- Construct an improved set of strategic performance management structures which builds on any identified strengths of existing structures while implementing any new structures identified as necessary;
- Justify the improved set of strategic performance management structures in its totality (as opposed to justifying only specific elements in a disconnected fashion).
- Assess the likely effects of existing and proposed strategic performance management structures on intraorganisational behaviours, work practices, and group norms (in the context of the business situation of an entity described in a case-study) and:
- Propose means of ameliorating any adverse effects.
- Propose means of maximising the extent and strategic advantage of any favourable effects.
- Evaluate the implications for particular organisations' strategic performance management systems of emerging developments in the fields of information technology (including e-commerce), business process re-engineering, benchmarking, and corporate governance.
- Propose changes to the strategic performance management systems of a specific organisation described in a case study in the light of such emerging developments.

## Syllabus

1: ADVANCED DECISION-MAKING	CL*
Pricing decisions (including strategic considerations, revenue management, profit maximisation, services pricing, and product bundling).	3
Target costing and Lifecycle costing.	3
Product and segment profitability analysis.	
Customer profitability analysis.	3
Theory of constraints, throughput and backflush accounting.	3
Activity-based analysis for decision making.	3
Measuring and managing uncertainty (including risk appraisal, expected values, maximax/ maximin and sensitivity analysis).	3
Decision making with multiple limiting factors including the formulation of problems and interpretation of results using linear programming and the simplex algorithm.	3
Assessment of mutually exclusive projects, projects with unequal lives.	3
2: PLANNING AND CONTROL	
The purpose of budgetary control systems.	3
Alternative approaches to budgeting, including incremental budgeting, zero-based budgeting, activity-based budgeting, rolling budgets, and 'beyond budgeting' approaches.	3
Budgetary control of engineered, committed and discretionary costs.	3
Advanced variance analysis (including sales mix and yield; materials mix and yield; planning & operational; market size and market share).	3

## 2: PLANNING AND CONTROL

Critical appraisal of standard costing and variance analysis in modern manufacturing environments. 3

Advantages and disadvantages of forecasting techniques including; time series, trend analysis, smoothing techniques and seasonal variances. 3

## 3: PERFORMANCE EVALUATION

Divisional profitability: Return on investment and residual income. 3

The distinction between economic and managerial performance evaluation. 3

Economic value added ®. 3

Value-based management. 3

Transfer pricing (including cost-plus, market, negotiated and dual prices). 3

Interaction of transfer pricing and taxation. 3

## 4: PERFORMANCE MEASUREMENT SYSTEMS

Mission statements, objectives, strategies and goals. 3

Performance measurement in modern manufacturing environments including JIT, TQM, world class manufacturing, and supply chain management issues. 3

Scenario planning e.g. 'what if' analysis. 3

Alternative competitive strategies. 3

Monitoring of the external environment (including competitor accounting). 3

Financial and non-financial performance measurement. 3

Performance measurement models, including the balanced scorecard. 3

Incentive schemes. 3

## 5: CURRENT DEVELOPMENTS IN STRATEGIC PERFORMANCE MANAGEMENT

Benchmarking. 2

Impact of developments in information technology and e-commerce. 2

Business process re-engineering. 2

Corporate governance. 2

## Assessment Strategy

### EXAMINATION APPROACH

Students should approach the examination of this subject in the knowledge that it requires an ability to demonstrate a high level of intellectual, technical, organisational, managerial and communications skills. A single case study scenario is presented to students. Skills assessed include the ability to perform critical analysis of relatively unstructured problems, to analyse available qualitative and quantitative information, to think strategically, and to exercise professional judgment, including appropriate professional scepticism and consideration of ethical issues in arriving at recommended solutions to business problems.

Students are expected to select and integrate relevant syllabus material from Strategic Performance Management and other subjects where this is appropriate to the analysis and solution of the case study. The case-study questions will indicate, in broad terms, what issues need to be addressed and analysed, but in many instances students will be expected to determine for themselves what specific form that analysis should take and to justify their chosen form of analysis in the specific case.

### EXAMINATION FORMAT

Assessment is by an open-book examination of 3.5 hours duration based on a single case-study scenario, on which students are required to answer a number of questions. The number of questions will not be exactly the same every year, because it is important that the

examiner should have the flexibility to ask questions in the manner most appropriate to the case.

Marks Allocation	Marks
The total for the paper is 100 marks.	
Case Study - A number of questions up to a maximum of:	100

[www.ifac.org/](http://www.ifac.org/) - International Federation of Accountants.

[www.investmentinternational.com](http://www.investmentinternational.com) - Investor International.

[www.accountingeducation.com](http://www.accountingeducation.com) - Accounting Education.com.

[www.hoovers.com](http://www.hoovers.com) - Hoovers.com.

Companion websites to core and supplementary texts – see texts for addresses and passwords.

## Learning Resources

### CORE TEXTS

Drury / Management & Cost Accounting 10th ed / 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.

### MANUALS

Griffith College, CPA P2 Strategic Performance Management - Latest edition

### SUPPLEMENTARY TEXTS AND JOURNALS

Bowhill/ Business Planning and Control : Integrating Accounting, Strategy, and People / Wiley 2008 / ISBN-13: 978-0470061770

R. N. Anthony & V. Govindarajan / Management Control Systems / McGraw Hill / 1st European edition 2014 / ISBN-13: 978-0077133269

A. A. De Waal / Strategic Performance Management: A Managerial and Behavioural Approach / Palgrave 2nd ed. 2013 / ISBN-13: 978-0230273856

Stevenson / Operations Management / McGraw Hill 13th ed 2018 / ISBN-13: 978 1259921810

Management Accounting by John Burns, Martin Quinn, Liz Warren, Joao Oliveria, 2013 -McGraw Hill, ISBN-13: 978-0077121617

Clarke P / Managerial Accounting, Costing, Decision-making and Control / 3rd Edition 2016 / CAI / ISBN-13: 978-1910374672

AccountancyPlus.

CPA Students' eBulletin.

### USEFUL WEBSITES (AS OF DATE OF PUBLICATION)

[www.cpaireland.ie](http://www.cpaireland.ie) - CPA Ireland.