Performance Management
Sample Questions – September/December 2019

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen

ACCA Think Ahead

Introduction

These sample questions show the likely style and range of **constructed response questions** that could be asked in the live exam.

You should use these questions to become familiar with the question types and the features and functionality contained within the live exam.

This exam is reflective of the constructed response section of the live exam in terms of how it will be structured and assessed, but has some differences:

- There is no timer in this exam however the live exam will have a time limit.

- In the live exam your answers to the constructed response questions will be expert-marked. In this exam you should use the relevant solution material, available from the Past Exam section of the ACCA website, to assess your performance.

- In the live exam you will be able to highlight and strikethrough text in the question scenario (this feature is not currently available in this exam).

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Instruction screens

Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.

General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.

- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).

- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating

- Please read each question carefully.

- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting 🖶

- You can navigate between screens by selecting **Next ➔** or **← Previous**, or by clicking on a question number from the Navigator or Item Review screens.

- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.

- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.

- Please ensure you provide an answer for all elements of each question.

- You can revisit questions and change your answers at any time during the exam.

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Instruction screens (continued)

Instructions (2 of 4)

Flag for Review

- If you wish to revisit/review a question later in the exam, click 🏳 **Flag for Review**

- Click the button again if you no longer wish to revisit/review the question later in the exam.

Help

- Click the **Help** button provided to access:

  - A copy of these exam instructions.

  - Help and guidance on constructed response questions (in the constructed response section of the exam only).

  - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e. ⑦ **Help** , ⑦ **Help/Formulae Sheet** or ⑦ **Help/Tax Tables**

Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting 🗔 **Calculator**

- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.
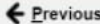
Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting 📝 **Scratch Pad**

- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.

- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will be collected at the end of the exam and must not be removed from the exam room.

  #### Important:

  - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.

  - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

Insert Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting Æ **Symbol** on the top toolbar.

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Instruction screens (continued)

Performance Management (PM) Sample Questions - September/December 2019

Instructions (3 of 4)

Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting ⚙ Navigator
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
  - Navigate to the **last question** in the exam.
  - Click the Next button.
- This takes you to the Item Review screen.

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- In the live exam this screen will indicate whether the question is complete or incomplete. In this exam, it will show the following:
  - **Unseen** – you have not yet viewed the question.
  - **Blank** – you have viewed the question.

    There will be no indication on whether these questions have been answered or whether the answers are correct or incorrect. You should refer to the relevant solution material, available from the Past Exam section of the ACCA website, for guidance to assess your own performance.

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Instruction screens (continued)

Performance Management (PM) Sample Questions - September/December 2019

Instructions (4 of 4)

Revisiting Questions

- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting Next →, ← Previous or →| Review Screen
- When reviewing questions you can change your answer and click →| Review Screen to view any updated status on the Item Review screen.
- You can review your answers against the relevant solution material provided in the Past Exam section of the ACCA website.

Exiting the Exam

- Once you have completed your item review and wish to finally end the exam click →] End Exam
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

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Exam summary screen

Exam Summary

Time allowed: This sample exam is not timed.

- You will be presented with **two constructed response questions**, each containing a scenario which relates to one or more requirement(s). The requirements may be split over multiple question screens.

- Each constructed response question is worth **20 marks** in total.

- **40 marks** in total.

- All questions are compulsory.

Important: In your live exam you must:

(1) Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.

(2) Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to start your exam.

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Sample exam questions

Scenario 1

Æ Symbol ⊟ Calculator ▨ Scratch Pad

The following scenario relates to three requirements.

Yumi Co owns a number of restaurants. It is a well-established company, and its restaurants have gained a favourable reputation for the quality of their meals.

Yumi Co's restaurants are all set in rural locations, where there is limited competition and this enabled them to develop a loyal customer base. Restaurants design their own menus and décor to fit with the requirements of their local market.

Yumi Co has been consistently profitable, however as is the case across the restaurant industry, profit margins are quite low and there is still a constant need for Yumi Co to monitor costs.

One of Yumi Co's restaurants is located in the small town of Cowly. Cowly has recently been the location for the filming of a popular television series and visitor numbers to the town have increased significantly as a result. Yumi Co's restaurant in Cowly has noticed a similar increase in customer numbers.

At the start of the current month a new restaurant opened in Cowly. The manager of Yumi Co's restaurant in Cowly has expressed concerns about the impact this new competitor will have on their ability to achieve profit targets for the rest of the year.

Budgets for all of Yumi Co's restaurants are prepared by the head office. At the start of each year, restaurant managers are given an annual budget, which is split into months. At the end of each month, the manager receives a statement comparing actual monthly performance against budget.

The statement for the Cowly restaurant for the most recent completed month is as follows:

	Actual	Budget	Variance
Number of customers	1,800	1,500	
	$	$	$
Revenue	87,300	75,000	12,300 F
Costs:			
Food and drink	26,100	22,500	3,600 A
Staff wages	38,250	31,500	6,750 A
Heat, light and power	8,100	7,500	600 A
Rent, rates and other overheads	12,600	12,000	600 A
Profit	2,250	1,500	750 F

Notes:
(1) Rent, rates and other overheads are apportioned to its restaurants by Yumi Co's head office, based on a fixed annual charge.
(2) All other budgeted costs are treated as variable costs, based on the expected number of customers.

Yumi Co currently adopts an incremental approach to budgeting, with the annual budget figures for each year being based on the previous year's figures. However, a new finance director has recently joined the company, and he has questioned whether this is suitable for all Yumi Co's restaurants.

The new finance director has also suggested that the company should adopt a more participative approach to budgeting.

? Help/Formulae Sheet

Scenario 1: requirements

(a) (i) Prepare a flexed budget for the Cowly restaurant.

(3 marks)

(ii) With reference to your answer from part (i), explain the main weaknesses in the current monthly budget statements issued to the restaurants as a basis for managing performance.

(4 marks)

(b) Discuss whether an incremental approach to budgeting is appropriate for Yumi Co.

(6 marks)

(c) Define a participative approach to budgeting and explain the potential advantages and disadvantages of introducing this approach at Yumi Co.

(7 marks)

(20 marks)

Scenario 2

The following scenario relates to one requirement.

Robinholt University is one of the largest and most popular universities in the country of Richpori. It had 27,000 registered students in 20X6, whereas in 20X5, the number of registered students was only 24,000. Robinholt University managed to increase its student numbers in 20X6 by making the entry requirements for students slightly lower than in previous years. All courses at the university last for three years.

Robinholt University has five strategic aims:

(1) To provide education which promotes intellectual initiative and produces confident and ambitious graduates who have reached the highest academic standards to prepare them for success in life and the workplace

(2) To provide an organised, efficient learning environment with access to cutting edge technology and facilities

(3) To be a leader in sustainable business practices which protect the environment and support local people

(4) To provide attractive, innovative conference and event facilities, attracting clients both nationally and internationally

(5) To be recognised both nationally and internationally for the scope and relevance of their research

Extracts from the university's income statement for the last two years are as follows:

	20X6 $ million	20X5 $ million
Income		
Tuition fees	148.0	135.6
Research grants	3.5	4.5
Conferences and other events	18.0	16.0
Total income	**169.5**	**156.1**
Expenditure		
Academic staff costs	80.8	76.2
Administration staff costs	50.4	48
Premises, facilities and technology costs	7.6	8.4
Event and conference costs	8.3	8.0
Research grants	3.1	4.0
Sustainability and community assistance	1.2	2.4
Total expenditure	**151.4**	**147.0**
Surplus	**18.1**	**9.1**

Scenario 2 (continued)

Every year, final year students complete an external survey run by the National Organisation for Students. In this, they have to agree or disagree with statements made. Extracts from this for the last two years are shown below (the percentage rates show the number of students who agreed with the statements made):

	20X6	20X5
Teaching		
1) The course is intellectually stimulating and quality of teaching high	83%	86%
Academic support		
2) I have received good advice and support with my studies from academic staff	82%	86%
Organisation and management		
3) The course is well organised and its administration is good	81%	90%
Learning resources		
4) The standard of rooms, facilities and equipment is good	83%	92%
Personal development		
5) The course has helped me develop as a person	82%	80%
Overall satisfaction		
6) Overall, I am satisfied with the quality of the course	81%	83%

The 'overall satisfaction' percentage is used by the Education Authority to set the maximum level of tuition fees that a university can charge each year and is seen as the main measure of success both internally and externally.

Other key information

	20X6	20X5
Students graduating with a First Class Honours degree (highest class attainable)	20%	28%
Employers happy with the graduates from Robinholt University	72%	75%
Ratio of students to staff members	40:1	35:1
Staff retention rate	75%	90%

The staff retention rate in 20X5 was consistent with previous years. Data gathered from students who graduated in 20X5 showed that 65% of students found a graduate job within one year of leaving compared to 68% of 20X4's graduates.

In 20X5, Robinholt University won the 'Green Environmental' award for their campuses, which all have extensive recycling facilities. Students were also involved in a local 'Grow to Give' food sharing project that year, which provided thousands of pounds worth of fresh produce to food banks offering food to poorer residents. Due to staff shortages, the university was not involved in this project in 20X6. The recycling bins have also been abandoned because of the cost of using them.

Every year, the University Research Council issues a range of prestigious awards for contributions to research. One of Robinholt University's main competitors in the area won an award in 20X5 for their contribution to some pioneering research on genetics. Robinholt University has yet to win an award for research. However, in 20X5 it did win an 'Innovation' award for its new, innovative conference facilities which have attracted a number of new clients in the last year.

Requirements for Scenario 2

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(a) Using Robinholt University's five strategic aims, assess its performance for 20X6.

Note: There are 4 marks available for calculations and 16 marks for discussion.

(20 marks)