

# Student Guidance Notes

## Guide 2

### **Student guidance notes for students planning to sit the P1 Management Accounting – Performance Evaluation examination of the 2005 syllabus**

This guide outlines the issues relating to transition from the Management Accounting - Performance Management paper of the Beyond 2000 syllabus to the P1 Management Accounting - Performance Evaluation paper of the 2005 syllabus.

The first section of this guide compares the two syllabuses, highlighting the differences between them.

The second part of this guide focuses on the issues for students who have studied the 'old' syllabus, but must sit the 'new' exam.

The third part of this guide contains a series of frequently asked questions relating to this paper, some of which were asked at the recent lecturer's conference.

If you have any further queries relating to this guide, please call CIMA Contact on + 44 (0)208 849 2404, or email your query to [cima.contact@cimaglobal.com](mailto:cima.contact@cimaglobal.com).

# Syllabus Comparison

<b>New syllabus: P1 – Management Accounting – Performance Evaluation</b>	<b>Old syllabus: 6 - Management Accounting – Performance Management (IMPM)</b>	<b>Comparison and Comments</b>
A. Cost Accounting Systems 25%	8(iii) - Costing Systems and Decision Making 45%	<p>This section now contains a few elements of the previous 8(iii), and a lot of the cost accounting from IDEC 9(ii). Additional learning outcomes are listed in the next section of this guide.</p> <p>Students need to pay particular attention to those topics that have 'moved' from paper to paper. Detailed study of the syllabus is recommended.</p>
B. Standard Costing 25%	8(i) Standard Costing - 25%	<p>This now includes planning and operational variances.</p>
C. Budgeting 30%	8(ii) Budgeting - 30%	<p>New material includes ratio analysis, responsibility accounting, feedback and feedforward control, 'beyond budgeting'.</p>
D. Control and Performance Measurement of Responsibility Centres 20%		<p>This section contains a lot of the performance measurement from the previous IDEC 9(i). Additional learning outcomes are listed in the next section of this guide.</p> <p>Students need to pay particular attention to those topics that have 'moved' from paper to paper. Detailed study of the syllabus is recommended.</p>

# Transition Issues

## Assessment

The format of this exam paper will be (from May 2007):

**Section A** - 40% Compulsory objective test questions

**Section B** - 30% Compulsory short answer questions (6x5 marks)

**Section C** - 30% Short scenario questions (choice of 1 from 2)

This differs from the previous syllabus, and students should therefore practise a number of the new exam-style questions in preparation for this exam.

A number of Section A questions may be based on a common scenario. Section A may contain questions of the conventional 'multiple choice' format, but may also include other forms of objective test question. Generally, the multiple choice format is likely to account for not more than 60% of Section A questions. Other possibilities include:

- filling in a blank in a sentence.
- listing items in a rank order.
- stating a definition (in not more than \_\_\_ words).
- identifying a key issue, e.g. advantage/disadvantage (in not more than \_\_\_ words).
- calculating one specific figure, e.g. profit for the period/absorption cost per product.
- completing a blank or partially completed prescribed format using terms and/or numbers e.g. published account format/overhead cost sheet.
- identifying points on a graph or diagram, e.g. break-even point, fixed costs, marginal revenue.
- identifying a specific term describing action/valuation seen in a scenario e.g. marginal or absorption costing, conditions for a recession.
- matching items together or with a description, e.g. "are the following cash or non-cash items" – identifying depreciation as non-cash or stock as a current asset.
- Interpreting / analysing numerical or graphical data.

## Additional learning outcomes

The following learning outcomes were not included in the corresponding 'old' syllabus:

- prepare ledger accounts according to context: marginal or absorption based in job, batch or process environments including work-in-progress and related accounts such as production overhead control account and abnormal loss account;
- explain the origins of throughput accounting as 'super variable costing' and its application as a variant of marginal or variable cost accounting;
- compare activity-based costing with traditional marginal and absorption costing methods and evaluate its potential as a system of cost accounting;

- explain the role of MRP and ERP systems in supporting standard costing systems, calculating variances and facilitating the posting of ledger entries;
- evaluate the impact of 'just-in-time' manufacturing methods on cost accounting and the use of 'back-flush accounting' when work-in-progress stock is minimal;
- explain why and how standards are set in manufacturing and in service industries with particular reference to the maximisation of efficiency and minimisation of waste.
- calculate and explain planning and operational variances;
- evaluate projected performance by calculating key metrics including profitability, liquidity and asset turnover ratios;
- describe and explain the possible purposes of budgets, including planning, communication, co-ordination, motivation, authorisation, control and evaluation;
- calculate the consequences of "what if" scenarios and evaluate their impact on master profit and loss account and balance sheet;
- explain the concept of responsibility accounting and its importance in the construction of functional budgets that support the overall master budget;
- identify controllable and uncontrollable costs in the context of responsibility accounting and explain why "uncontrollable" costs may or may not be allocated to responsibility centres;
- explain the ideas of feedback and feed-forward control and their application in the use of budgets for control;
- discuss the role of non-financial performance indicators and compare and contrast traditional approaches to budgeting with recommendations based on the 'balanced scorecard';
- evaluate the impact of budgetary control systems on human behaviour;
- evaluate the criticisms of budgeting particularly from the advocates of techniques that are 'beyond budgeting';
- discuss the use of cost, revenue, profit and investment centres in devising organisation structure and in management control;
- prepare cost information in appropriate formats for cost centre managers, taking due account of controllable/uncontrollable costs and the importance of budget flexing;
- prepare revenue and cost information in appropriate formats for profit and investment centre managers, taking due account of cost variability, attributable costs, controllable costs and identification of appropriate measures of profit centre 'contribution';
- calculate and apply measures of performance for investment centres (often 'strategic business units' or divisions of larger groups);
- discuss the likely behavioural consequences of the use of performance metrics in managing cost, profit and investment centres;
- explain the typical consequences of a divisional structure for performance measurement as divisions compete or trade with each other;
- establish the likely consequences of different approaches to transfer pricing for divisional decision making, divisional and group profitability, the motivation of divisional management and the autonomy of individual divisions.

# Conclusion

This paper differs significantly, in terms of syllabus content and assessment format, from the previous Management Accounting Performance Management (IMPM) paper. You are advised to pay careful attention to the syllabus, particularly the new learning outcomes listed above, and to the Pilot Paper.

# FAQs

<p><b>Question 1:</b> Will there be a pilot paper for the new exam, so I can see the differences between the new paper and the old one?</p>	<p><b>Answer:</b> Yes. Pilot papers are available on the website at <a href="http://www.cimaglobal.com/professionalqualifications">www.cimaglobal.com/professionalqualifications</a>.</p>
<p><b>Question 2:</b> Where can I find the detailed syllabus for this paper?</p>	<p><b>Answer:</b> <a href="http://www.cimaglobal.com/professionalqualifications">www.cimaglobal.com/professionalqualifications</a>.</p>
<p><b>Question 3:</b> I have passed (or been granted an exemption from) the old IMPM paper. What work should I do on this syllabus?</p>	<p><b>Answer:</b> You should read the Paper P1 syllabus carefully, and selectively study those areas of the syllabus with which you are unfamiliar.</p>
<p><b>Question 4:</b> I have taken, and failed, the old IMPM exam and must resit paper P1. How much work is likely to be involved?</p>	<p><b>Answer:</b> Because the learning outcomes for this syllabus have been so significantly re-written, the safest approach would be to start again. You should find that you have some of the knowledge, but many of the learning outcomes require additional preparation.</p>
<p><b>Question 5:</b> If a question asks for a report, will marks be given for the report format?</p>	<p><b>Answer:</b> Yes. It will generally be specified (see question 4 on the pilot paper).</p>
<p><b>Question 6:</b> What knowledge is assumed prior to studying this syllabus?</p>	<p><b>Answer:</b> This paper draws on knowledge gained at the whole of the Certificate level, not just Management Accounting Fundamentals.</p>
<p><b>Question 7:</b> Will the structure of Section A of the exam always be the same as that of the Pilot Paper?</p>	<p><b>Answer:</b> No, the balance between different forms of OTQ may vary between exam papers. The objective test questions will be written in such a way that there will be only one answer. Short scenarios may be given, generally with no more than 3 questions per scenario.</p>
<p><b>Question 8:</b> What will be the balance of calculations required in sections A and B of the exam?</p>	<p><b>Answer:</b> Section A is likely to require more calculations, as section A questions lend themselves to calculations. In section B, you may be given a calculation and asked to comment, or asked to calculate and discuss.</p>