

Fundamentals Level – Skills Module

Performance Management

March/June 2017 – Sample Questions



Time allowed: 3 hours 15 minutes

This question paper is divided into three sections:

Section A – ALL 15 questions are compulsory and **MUST** be attempted

Section B – ALL 15 questions are compulsory and **MUST** be attempted

Section C – BOTH questions are compulsory and **MUST** be attempted

Formulae Sheet is on page 6.

Do NOT open this question paper until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Think Ahead

ACCA

15
F5
Paper

The Association of
Chartered Certified
Accountants

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Section C begins on page 3.**

Section C – Both questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

31 The School Uniform Company (SU Co) manufactures school uniforms. One of its largest contracts is with the Girls' Private School Trust (GPST), which has 35 schools across the country, all with the same school uniform.

After a recent review of the uniform at the GPST schools, the school's spring/summer dress has been re-designed to incorporate a dropped waistband. Each new dress now requires 2.2 metres of material, which is 10% more material than the previous style of dress required. However, a new material has also been chosen by the GPST which costs only \$2.85 per metre which is 5% cheaper than the material used on the previous dresses. In February, the total amount of material used and purchased at this price was 54,560 metres.

The design of the new dresses has meant that a complicated new sewing technique needed to be used. Consequently, all staff required training before they could begin production. The manager of the sewing department expected each of the new dresses to take 10 minutes to make as compared to 8 minutes per dress for the old style. SU Co has 24 staff, each of whom works 160 hours per month and is paid a wage of \$12 per hour. All staff worked all of their contracted hours in February on production of the GPST dresses and there was no idle time. No labour rate variance arose in February.

Activity levels for February were as follows:

Budgeted production and sales (units)	30,000
Actual production and sales (units)	24,000

The production manager at SU Co is responsible for all purchasing and production issues which occur. SU Co uses standard costing and usually, every time a design change takes place, the standard cost card is updated prior to production commencing. However, the company accountant responsible for updating the standards has been off sick for the last two months. Consequently, the standard cost card for the new dress has not yet been updated.

Required:

- (a) Calculate the material variances in as much detail as the information allows for the month of February.** (7 marks)

- (b) Calculate the labour efficiency variances in as much detail as the information allows for the month of February.** (5 marks)

- (c) Assess the performance of the production manager for the month of February.** (8 marks)

(20 marks)

32 The People's Bank is a bank based in the country of Nawkrei. It has a total of 65 branches across the country and also offers online banking (access to services via computer) and telephone banking (access to customer service agents over the telephone) to its customers. Recently, The People's Bank also began offering its customers a range of mobile banking services, which can be accessed from customers' smartphones and tablet computers. Its customer-base is made up of both private individuals and business customers. The range of services it offers includes:

Current accounts
 Savings accounts
 Credit cards
 Business and personal loans
 Mortgages (loans for property purchases)

The People's Bank's vision is to be 'the bank that gives back to its customers' and their purpose is 'to help the people and businesses of Nawkrei to live better lives and achieve their ambitions'. In order to achieve this, the bank's values are stated as:

- (1) Putting customers' needs first, which involves anticipating and understanding customers' needs and making products and services accessible to as many customers as possible. The People's Bank has recently invested heavily in IT security to prevent fraud and also invested to make more services accessible to disabled and visually impaired customers
- (2) Making business simple, which involves identifying opportunities to simplify activities and communicating clearly and openly
- (3) Making a difference to the communities they serve, which involves primarily helping the disadvantaged and new homeowners but also supporting small and medium-sized businesses (SMEs) and acting fairly and responsibly at all times

Extracts from The People's Bank's balanced scorecard are shown below:

Performance measure	20X6 Actual	20X6 Target
Financial perspective		
Return on capital employed (ROCE)	11%	12%
Interest income	\$7.5m	\$7m
Net interest margin (margin achieved on interest income)	2.4%	2.5%
Amount of new lending to SMEs	\$135m	\$150m
Customer perspective		
Number of first-time homebuyers given a mortgage by The People's Bank	86,000	80,000
Number of complaints (per 1,000 customers)	1.5	2
Number of talking cashpoints installed for the visually impaired	120	100
Number of wheelchair ramps installed in branches	55	50
Internal processes		
Number of business processes within The People's Bank re-engineered and simplified	110	100
Number of new services made available through 'mobile banking'	2	5
Incidences of fraud on customers' accounts or credit cards (per 1,000 customers)	3	10
Total carbon dioxide emissions (tonnes)	430,000	400,000
Learning and growth		
Number of colleagues trained to provide advice to SMEs	1,300	1,500
Number of hours (paid for by The People's Bank) used to support community projects	1,020,000	1,000,000
Number of trainee positions taken up by candidates from Nawkrei's most disadvantaged areas	1,990	2,000
Number of community organisations supported (either through funding or by volunteers from The People's Bank)	7,250	7,000

Required:

(a) Explain why the balanced scorecard approach to performance measurement is more useful to measure performance for The People's Bank than a traditional approach using solely financial performance measures. (4 marks)

(b) Using all of the information provided, including The People's Bank's vision and values, discuss the performance of The People's Bank in 20X6.

Note: Use each of the four headings of the balanced scorecard to structure your discussion. (16 marks)

(20 marks)

Formulae Sheet

Learning curve

$$Y = ax^b$$

Where Y = cumulative average time per unit to produce x units

a = the time taken for the first unit of output

x = the cumulative number of units produced

b = the index of learning ($\log LR / \log 2$)

LR = the learning rate as a decimal

Demand curve

$$P = a - bQ$$

$$b = \frac{\text{change in price}}{\text{change in quantity}}$$

a = price when Q = 0

$$MR = a - 2bQ$$

End of Question Paper