ACCA PM Performance Management

Mock exam: 15 questions in 27 minutes, with an answer key and explanations

How to use this mock

- Set a timer for **27 minutes** and answer every question without notes. Write your answers in the grid on the next page.
- Mark your answers using the answer key, then read the explanation for every question you got wrong or guessed.
- The questions cover every section of the syllabus, in proportion to the GoQualified question bank for PM.
- Prefer to sit it on screen? The **Exam Sim** on **goqualified.co.uk/pm/** times you, marks the paper and shows your weakest section.
- All questions are original GoQualified practice questions, not past exam questions.

Free from GoQualified. Questions start on page 3; the answer key and explanations follow them. Download the latest version from goqualified.co.uk/pm/.

Your answers

1 _____	**4** _____	**7** _____	**10** _____	**13** _____
2 _____	**5** _____	**8** _____	**11** _____	**14** _____
3 _____	**6** _____	**9** _____	**12** _____	**15** _____

Questions

Question 1

A logistics company analyses five years of historical delivery data, weather patterns, and traffic information to forecast the probability of delivery delays in specific regions on specific days. This enables it to pre-position additional drivers before delays occur. Which use of data analytics does this best illustrate?

A Descriptive analytics — summarising what has happened in the past
B Diagnostic analytics — determining why past delivery delays occurred
C Predictive analytics — using historical data and statistical models to forecast future events
D Prescriptive analytics — recommending the optimal action to take in a given situation

Question 2

A telecommunications company holds billing records, call logs, and customer service interactions for 20 million customers. A data scientist identifies that customers who contact support three or more times in a month are 70% more likely to cancel their contract within 90 days. Which stage of the big data pyramid does this finding represent?

A Knowledge — understanding how the identified pattern (support contacts) can be applied to predict churn
B Wisdom — using the insight to make a business decision to reduce churn
C Information — a monthly count of support contacts for each customer
D Data — the raw call log and billing records themselves

Question 3

A product has a TPAR of 0.75, meaning it generates insufficient throughput to cover operating costs at the bottleneck. Which of the following actions would most directly improve the TPAR?

A Hiring more staff to work non-bottleneck machines, increasing their output rate
B Reducing the selling price to increase sales volume and gain market share
C Increasing total factory operating expenses to improve quality and reduce defects
D Reducing the direct material cost per unit, which increases throughput per unit and therefore throughput per bottleneck hour

Question 4

A product's current cost is £88 per unit and its target cost is £76. The product's selling price is set by the market at £95. Which of the following would be a valid approach to closing this cost gap? (Select the BEST answer.)

A Re-engineer the product design to use fewer or cheaper components without reducing customer-perceived quality
B Increase the selling price above the market price to improve the profit margin
C Accept the cost gap and proceed with production, recovering the shortfall through higher volume
D Reduce quality specifications significantly to eliminate the cost gap quickly

Question 5

A software company launches a new cloud-based accounting application. It spends £2m on development, plans to charge £50/user/month, and expects an average of 5,000 paying users throughout its 3-year product life. The application will require ongoing updates (£400,000/year) and will be withdrawn after year 3 with decommissioning costs of £100,000. Which of the following is a benefit of applying life-cycle costing to this product?

A It reveals the total profitability of the product over its full life, including development costs incurred before launch
B It enables the company to recognise all £2m development costs as profit in year 1
C It removes the need to make pricing decisions as the life-cycle cost automatically determines price
D It guarantees that the product will achieve its profit target by spreading costs evenly

Question 6

A company makes three products. Machine hours are limited to 4,800 hours. Data: Product D (contribution £36, machine hours 3, demand 600 units), Product E (contribution £20, machine hours 2, demand 800 units), Product F (contribution £45, machine hours 5, demand 400 units). What is the optimal production plan and total contribution?

A D:600, E:800, F:280 units — contribution £50,200
B F:400, D:600, E:500 units — contribution £49,600
C D:600, E:800, F:400 units — contribution £55,600
D D:600, E:800, F:0 units — contribution £37,600

Question 7

A division generates revenue of £480,000 and incurs costs: variable costs £320,000; specific fixed costs £90,000 (avoidable if the division closes); allocated head office costs £120,000 (continue regardless). Should the division be shut down?

A Yes — the division makes a net loss of £50,000 and is destroying value
B No — the division contributes £70,000 toward unavoidable fixed costs and should remain open
C Yes — the division's allocated head office costs exceed its contribution
D No — the division is profitable once head office costs are excluded

Question 8

A company produces three products and has identified that skilled labour hours are limited. To maximise profit, it should rank products in which order?

A By total contribution per unit (highest first), as this maximises contribution from each unit sold
B By selling price (highest first), as higher-priced products generate more revenue
C By variable cost (lowest first), as minimising costs maximises contribution
D By contribution per skilled labour hour (highest first), not by total contribution per unit

Question 9

In a linear programming solution, Machine A has 1,200 hours available. The optimal solution uses 1,200 hours of Machine A but only 900 of 1,500 available hours on Machine B. What does the slack on Machine B indicate for decision-making?

A Machine B is the binding constraint and additional hours should be acquired
B Machine B's slack of 600 hours indicates the company should reduce production
C Slack on Machine B means the shadow price of Machine B hours is positive
D Machine B has 600 hours of spare capacity — it is not a binding constraint, so paying for additional Machine B hours would not increase total contribution

Question 10

A government department is introducing zero-based budgeting (ZBB) to replace its current incremental budgeting system. Which of the following correctly describes a key benefit and a key problem with ZBB?

A Benefit: faster to prepare than incremental budgeting. Problem: produces budgets that are too high
B Benefit: ensures consistency with prior year plans. Problem: resistant to change in the organisation
C Benefit: automatically aligns spending with strategic priorities. Problem: relies entirely on historical data
D Benefit: eliminates inefficient legacy spending by requiring all expenditure to be justified from scratch. Problem: extremely time-consuming and requires significant management resource

Question 11

A company produces specialist equipment in batches. The first batch took 1,500 hours to produce. The second batch took 1,350 hours. What is the learning rate, and what would be the cumulative average time per batch for four batches?

A Learning rate 90%; cumulative average for 4 batches = 1,215 hours per batch
B Learning rate 95%; cumulative average for 4 batches = 1,353.75 hours per batch
C Learning rate 90%; cumulative average for 4 batches = 1,350 hours per batch
D Learning rate 85%; cumulative average for 4 batches = 1,147.5 hours per batch

Question 12

A company operates a JIT (just-in-time) production system with a standard costing system. The production manager consistently achieves a favourable material price variance by purchasing large quantities of material when prices are low. Why is this behaviour dysfunctional in a JIT environment?

A A favourable price variance is always a sign of good purchasing performance
B Standard costing is fully compatible with JIT as both systems focus on cost reduction
C The material price variance is irrelevant in a JIT environment because materials are expensed immediately
D Bulk purchasing to achieve a favourable price variance contradicts the JIT objective of minimising inventory, creating storage costs, waste risk, and working capital tie-up

Question 13

A hospital sets a target that 'patients should receive compassionate care.' Which of the following best explains why this target is difficult to use in a performance management system?

A It is too easy to achieve and therefore does not stretch performance
B It is qualitative and subjective — 'compassion' cannot be directly measured or objectively verified, making assessment arbitrary and potentially unfair
C It should only be measured by financial indicators such as patient satisfaction scores converted to ratings
D Qualitative targets are not permitted in public sector performance frameworks

Question 14

A company reports strong financial performance but an independent review reveals it has been systematically underinvesting in maintenance, staff development, and environmental compliance. Which of the following best describes the risk this creates?

A The company faces a sustainability risk — short-term financial results are being achieved at the expense of long-term operational and reputational resilience
B The company is efficiently managing its costs and should continue this approach
C Maintenance and training are discretionary costs that do not affect long-term performance
D The financial results prove the strategy is correct and the review's concerns are misplaced

Question 15

A division's revenue fell 8% year-on-year. Industry analysis shows the total market contracted by 14%. Which of the following conclusions is most appropriate?

A The division has failed — any revenue decline represents management failure
B Market share is irrelevant — only absolute revenue matters for performance assessment
C The division's performance is acceptable only if revenue meets the internal budget
D The division has outperformed the market, increasing its market share despite difficult conditions — this represents effective management relative to external circumstances

Answer key

1 C	**4** A	**7** B	**10** D	**13** B
2 A	**5** A	**8** D	**11** B	**14** A
3 D	**6** A	**9** D	**12** D	**15** D

Score: count your correct answers out of 15. Then work through the explanations below.

Answers and explanations

Question 1: C Predictive analytics — using historical data and statistical models to forecast future events

Predictive analytics uses historical data, statistics, and machine learning to forecast future outcomes — here, forecasting delay probabilities. Descriptive analytics (A) looks backward to summarise what happened. Diagnostic analytics (B) investigates causes of past events. Prescriptive analytics (D) goes further than prediction — it recommends the specific action to take given predicted outcomes (e.g. 'deploy 3 extra drivers to Region X on Tuesday'). The company here forecasts the probability; pre-positioning is the response to that forecast, making predictive the closest fit.

Section A, Predictive analytics · Ref A3d · pm003

Question 2: A Knowledge — understanding how the identified pattern (support contacts) can be applied to predict churn

In the data pyramid, data is the raw call logs and billing records (D). Information is data processed into a usable form, such as a monthly count of support contacts for each customer (C). Knowledge is an understood pattern that can be applied: here, that customers who contact support three or more times in a month are 70% more likely to cancel within 90 days, which can be used to predict churn (A). Wisdom is using that knowledge to decide what to do, such as offering at-risk customers a retention deal (B).

Section A, Big data — value stage · Ref A3b · pm013

Question 3: D Reducing the direct material cost per unit, which increases throughput per unit and therefore throughput per bottleneck hour

TPAR = Throughput per bottleneck hour ÷ Operating cost per bottleneck hour. Throughput = Selling price − Direct material cost. Reducing direct material cost increases throughput per unit, which increases throughput per bottleneck hour, directly improving TPAR. Improving non-bottleneck machines (A) does not increase system output — the bottleneck is the constraint. Reducing selling price (B) reduces throughput, worsening TPAR. Increasing operating expenses (C) increases the denominator, reducing TPAR. The Theory of Constraints focuses effort exclusively on the bottleneck.

Section B, Improving TPAR · Ref B4c · pm024

Question 4: A Re-engineer the product design to use fewer or cheaper components without reducing customer-perceived quality

The target cost is derived from the market price — increasing selling price (B) ignores competitive market dynamics and is explicitly invalid if the price is market-determined. Accepting the gap and relying on volume (C) does not close the gap — variable cost per unit remains above target. Reducing quality significantly (D) is not valid where quality is a product USP or brand characteristic. Value engineering — redesigning the product to reduce cost without compromising customer value — is the standard, legitimate approach.

Section B, Target costing — closing the cost gap · Ref B2c · pm029

Question 5: A It reveals the total profitability of the product over its full life, including development costs incurred before launch

Life-cycle costing accumulates all costs — development, operating, and decommissioning — against lifetime revenues to reveal true profitability. In year 1, development costs would create an accounting loss; in years 2-3, operating profits would appear high. Life-cycle costing shows the full picture: total revenue (5,000×£50×36 months=£9m) vs total costs (£2m dev + £1.2m updates + £0.1m decommission = £3.3m) = life-cycle profit £5.7m. Option B misunderstands accounting treatment. Option C is wrong — pricing involves many factors beyond cost. Option D is wrong — life-cycle costing is analytical, not a guarantee mechanism.

Section B, Life-cycle costing — service industry · Ref B3b · pm037

Question 6: A D:600, E:800, F:280 units — contribution £50,200

With one limiting factor, rank by contribution per machine hour and satisfy demand in that order. D = £36 ÷ 3 = £12/hr; E = £20 ÷ 2 = £10/hr; F = £45 ÷ 5 = £9/hr. Priority: D, then E, then F. Make D to maximum demand: 600 × 3 = 1,800 hrs (3,000 left). Make E to maximum demand: 800 × 2 = 1,600 hrs (1,400 left). Use the remaining 1,400 hrs on F: 1,400 ÷ 5 = 280 units. Total contribution = D (600 × £36 = £21,600) + E (800 × £20 = £16,000) + F (280 × £45 = £12,600) = £50,200, using all 4,800 hours. Option B ranks by contribution per unit (F highest at £45): F uses 2,000 hours and D 1,800, leaving 1,000 hours for 500 units of E, so the scarce hours earn less. Option C makes F to its full 400 units, which needs 5,400 hours — more than available. Option D makes only the two best-ranked products and leaves 1,400 hours idle, although F still earns a positive contribution on them. Always rank by contribution per unit of the limiting factor, never by contribution per unit of product.

Section C, Limiting factor — single constraint · Ref C3b · pm051

Question 7: B No — the division contributes £70,000 toward unavoidable fixed costs and should remain open

Relevant analysis (only include avoidable costs): Revenue £480,000 − Variable costs £320,000 = Contribution £160,000. Specific avoidable fixed costs £90,000. Divisional contribution after avoidable costs = £160,000 − £90,000 = £70,000. If the division closes, this £70,000 is lost — the company is worse off by £70,000 as head office costs (£120,000) continue regardless. The reported net loss of £50,000 (£480k−£320k−£90k−£120k) is misleading because it includes unavoidable allocated costs. The division should remain open. Option A uses the misleading net loss. Option C incorrectly uses allocated costs. Option D overstates the position — profitability depends on which costs are included.

Section C, Relevant costing — shut-down decisions · Ref C5d · pm058

Question 8: D By contribution per skilled labour hour (highest first), not by total contribution per unit

When a single resource is the binding constraint, products should be ranked by contribution per unit of the limiting resource — here, contribution per skilled labour hour. This ensures the scarce resource is allocated to the use that generates the most contribution per hour used. Ranking by total contribution per unit (A) ignores how much of the scarce resource each unit consumes — a product with high total contribution but very high resource usage may be less efficient than one with lower total contribution but minimal resource use. Selling price (B) and variable cost (C) alone are insufficient measures when a constraint applies.

Section C, Limiting factors — key resource identification · Ref C3a · pm064

Question 9: D Machine B has 600 hours of spare capacity — it is not a binding constraint, so paying for additional Machine B hours would not increase total contribution

Slack is the difference between the available and used amount of a non-binding constraint. Machine B has 1,500−900=600 hours of slack — it has 600 unused hours. A non-binding constraint has a shadow price of zero — paying for additional capacity on a non-binding constraint adds no value. Machine A (fully utilised, zero slack) is the binding constraint with a positive shadow price. Option A incorrectly identifies Machine B as the binding constraint. Option B misinterprets slack — it does not indicate that production should be reduced. Option C is wrong — slack implies a shadow price of zero, not positive.

Section C, Slack in linear programming · Ref C3e · pm068

Question 10: D Benefit: eliminates inefficient legacy spending by requiring all expenditure to be justified from scratch. Problem: extremely time-consuming and requires significant management resource

ZBB requires every activity and expenditure to be justified from zero rather than using prior year as a baseline. Benefit: it challenges all spending and removes historical inefficiencies that incremental budgeting perpetuates (the 'spend it or lose it' problem). Problem: it is extremely resource-intensive — every manager must justify every pound of expenditure, which is time-consuming and may be resisted. Option A incorrectly states ZBB is faster (incremental is faster). Option B describes incremental budgeting's characteristics. Option C is a mischaracterisation — ZBB forces a forward-looking justification, not reliance on historical data.

Section D, Zero-based budgeting · Ref D1b · pm072

Question 11: B Learning rate 95%; cumulative average for 4 batches = 1,353.75 hours per batch

The tabular method works well for this calculation. Cumulative average for 1 batch = 1,500 hrs. Cumulative average for 2 batches = (1,500+1,350)÷2 = 1,425 hrs. Learning rate = 1,425÷1,500 = 0.95 = 95%. When cumulative output doubles from 2 to 4 batches, the cumulative average falls by the learning rate again: 1,425 × 0.95 = 1,353.75 hrs per batch, which is option B. Option A uses a 90% rate (1,500 × 0.81 = 1,215). Option C also uses a 90% rate but with an incorrect average. Option D uses an 85% rate. The key point: when batches double (1→2, 2→4), apply the learning rate to the cumulative average — not to individual batch time.

Section D, Learning curve — learning rate calculation · Ref D2c · pm074

Question 12: D Bulk purchasing to achieve a favourable price variance contradicts the JIT objective of minimising inventory, creating storage costs, waste risk, and working capital tie-up

This is a classic dysfunctional behaviour example: the manager optimises one metric (favourable price variance) in a way that damages the broader system. JIT aims to eliminate inventory waste — materials arrive just in time for production. Bulk buying creates inventory, which JIT explicitly seeks to avoid: it ties up working capital, creates storage costs, increases the risk of damage or obsolescence, and undermines the responsiveness JIT enables. Standard costing that rewards bulk purchasing is misaligned with JIT objectives. Options A and B ignore this misalignment. Option C is factually incorrect.

Section D, Dysfunctional variance behaviour · Ref D7d · pm080

Question 13: B It is qualitative and subjective — 'compassion' cannot be directly measured or objectively verified, making assessment arbitrary and potentially unfair

Qualitative performance targets create specific problems: they are inherently subjective (different assessors may interpret 'compassionate' differently), they are difficult to measure with precision, they can be manipulated through selective evidence, and they may be perceived as unfair if assessors are inconsistent. The solution is often to identify proxy measurable indicators (e.g. complaint rates, patient satisfaction scores) that correlate with the qualitative objective — though these are imperfect. Option A is an unsupported assertion. Option C narrows qualitative assessment to financial proxies incorrectly. Option D is factually wrong — qualitative targets are common in public sector frameworks.

Section E, Difficulties of setting qualitative targets · Ref E1g · pm102

Question 14: A The company faces a sustainability risk — short-term financial results are being achieved at the expense of long-term operational and reputational resilience

Sustainable performance requires organisations to consider the long-term consequences of current decisions. Deferred maintenance creates future equipment failures and capital expenditure spikes. Underinvestment in staff development reduces future capability and productivity. Environmental non-compliance creates regulatory and reputational risk. Together, these create a 'sustainability gap' — current financial results look good but long-term viability is being undermined. Performance management must consider sustainability alongside financial metrics. Options B, C, and D all fail to recognise the long-term consequences of the current approach.

Section E, Sustainability and long-term performance · Ref E1e · pm109

Question 15: D The division has outperformed the market, increasing its market share despite difficult conditions — this represents effective management relative to external circumstances

For example, a division declining 8% in a market declining 14% has gained market share. Assessing performance against external benchmarks (market conditions, competitor performance) is essential for fair evaluation. A manager cannot control industry-wide recession or demand collapse — but they can influence their share within that market. Gaining share during a downturn is genuine evidence of competitive strength. Option A applies an absolutist standard ignoring external context. Option B dismisses a highly relevant competitive metric. Option C limits assessment to internal budgets, which may themselves have been set before market conditions changed.

Section E, Market conditions and performance · Ref E1h · pm140