

Financial Performance

Learning Area Overview



Welcome to this learning area overview for Financial Performance, prepared by AAT.

In this overview we'll explain what Financial Performance is all about, and how it fits into the bigger picture of the AAT Accounting Qualification.

We'll explore the main topics you can expect to cover, and how the knowledge and skills you'll pick up will be of practical use to you in the workplace.

Finally, we'll explain how this learning area relates to the others you've already studied, and those you'll study in the future.

What you'll learn in Financial Performance

In Financial Performance you'll learn how to use a range of cost and management accounting techniques and concepts to measure performance, manage costs, and so monitor financial performance. In this way you will learn the ability to make judgments to support decision making, planning and control by managers.

In Financial Performance, you'll also look at how to collate information from various sources and prepare routine cost reports. By analysing and monitoring this information you'll learn how to make suggestions for improving financial performance and how to present performance reports to management.

The whole field of cost and management accounting is based around provision of information to help the organisation control its costs – principally through internal budgets – and to enable it to make decisions, both about everyday running costs (revenue) and longer term investments (capital).



From the foundations of cost accounting, Financial Performance builds on an understanding of cost classification, recording, reporting and behaviour.

Financial Performance builds on the cost accounting techniques (such as marginal, absorption and standard costing plus variance analysis) which are also covered in Costs and Revenues at level 3 and Budgeting at level 4.

You'll also learn about performance indicators that cover a variety of areas (such as efficiency, effectiveness, productivity, cost per unit, capacity and activity) and scenario planning – considering the options in "what if" analyses.

This learning area also covers certain basic statistical methods and routines such as regression analysis, index numbers, moving averages and seasonal variations. You'll learn how to describe and explain these fundamental concepts and techniques (for the knowledge unit) and to apply this knowledge to scenarios which require the calculation and application of one or more of these techniques (for the skills unit).

How Financial Performance will help you in the workplace

Cost accountants in the workplace will be required to collect information from diverse sources and collate it for presentation in regular cost reports. All organisations run various departments, and the costs of running these are paramount as the organisation has to exist and function within an overall cost umbrella.

In practice, management accountants analyse and monitor performance by calculating ratios, indicators and measures of added value. Having a knowledge of what is happening enables them to make suggestions of how to improve the financial performance of their place of work.

In order for the senior managers of any organisation to be able to control its costs, and monitor and improve its financial performance, they will rely on their team of management accountants to prepare such performance reports to aid their decision-making process.

How Financial Performance relates to the other learning areas

Financial Performance builds on both Basic Costing at level 2, and Costs and Revenues at level 3.

It is also closely linked Budgeting at level 4, which describes how budgeting is part of an organisation's planning process and explains that the process of budgetary control provides feedback which is used by managers to review performance on an ongoing basis.

Financial Performance is one of the four compulsory learning areas at level 4. The other three compulsory learning areas are:

- Budgeting
- Financial Statements
- Internal Control and Accounting Systems.

You'll also need to take two optional learning areas at level 4 from the following list of four:

- External Auditing
- Credit Management and Control
- Personal Tax
- Business Tax.

