

# Institute of Certified Management Accountants

Effective May 1, 2010

## **Content Specification Outlines Certified Management Accountant (CMA) Examinations**

The content specification outlines presented below represent the body of knowledge that will be covered on the CMA examinations. The outlines may be changed in the future when new subject matter becomes part of the common body of knowledge.

Candidates for the CMA designation are required to take and pass Parts 1 and 2.

Candidates are responsible for being informed on the most recent developments in the areas covered in the outlines. This includes understanding of public pronouncements issued by accounting organizations as well as being up-to-date on recent developments reported in current accounting, financial and business periodicals.

The content specification outlines serve several purposes. The outlines are intended to:

- Establish the foundation from which each examination will be developed.
- Provide a basis for consistent coverage on each examination.
- Communicate to interested parties more detail as to the content of each examination part.
- Assist candidates in their preparation for each examination.
- Provide information to those who offer courses designed to aid candidates in preparing for the examinations.

Important additional information about the content specification outlines and the examinations is listed below.

1. The coverage percentage given for each major topic within each examination part represents the relative weight given to that topic in an examination part. The number of questions presented in each major topic area approximates this percentage.
2. Each examination will sample from the subject areas contained within each major topic area to meet the relative weight specifications. No relative weights have been assigned to the subject areas within each major topic. No inference should be made from the order in which the subject areas are listed or from the number of subject areas as to the relative weight or importance of any of the subjects.

## **Institute of Certified Management Accountants**

3. Each major topic within each examination part has been assigned a coverage level designating the depth and breadth of topic coverage, ranging from an introductory knowledge of a subject area (Level A) to a thorough understanding of and ability to apply the essentials of a subject area (Level C). Detailed explanations of the coverage levels and the skills expected of candidates are presented below.
4. The topics for Parts 1 and 2 have been selected to minimize the overlapping of subject areas among the examination parts. The topics within an examination part and the subject areas within topics may be combined in individual questions.
5. With regard to U.S. Federal income taxation issues, candidates will be expected to understand the impact of income taxes when reporting and analyzing financial results. In addition, the tax code provisions that impact decisions (e.g., depreciation, interest, etc.) will be tested.
6. Candidates for the CMA designation are assumed to have knowledge of the following: preparation of financial statements, business economics, time-value of money concepts, statistics and probability.
7. Parts 1 and 2 are four-hour exams and each contains 100 multiple-choice questions and 2 essay questions. Candidates will have three hours to complete the multiple-choice questions and one hour to complete the essay section. A small number of the multiple-choice questions on each exam are being validated for future use and will not count in the final score.
8. For the essay questions, both written and quantitative responses will be required. Candidates will be expected to present written answers that are responsive to the question asked, presented in a logical manner, and demonstrate an appropriate understanding of the subject matter. It should be noted that candidates are expected to have working knowledge in the use of word processing and electronic spreadsheets.
9. Ethical issues and considerations are tested in both Parts 1 and 2. In Part 1, ethics will be tested from the perspective of the individual and in Part 2, from the perspective of the organization.

## Institute of Certified Management Accountants

In order to more clearly define the topical knowledge required by a candidate, varying levels of coverage for the treatment of major topics of the content specification outlines have been identified and defined. The cognitive skills that a successful candidate should possess and that should be tested on the examinations can be defined as follows:

***Knowledge:*** Ability to remember previously learned material such as specific facts, criteria, techniques, principles, and procedures (i.e., identify, define, list).

***Comprehension:*** Ability to grasp and interpret the meaning of material (i.e., classify, explain, distinguish between).

***Application:*** Ability to use learned material in new and concrete situations (i.e., demonstrate, predict, solve, modify, relate).

***Analysis:*** Ability to break down material into its component parts so that its organizational structure can be understood; ability to recognize causal relationships, discriminate between behaviors, and identify elements that are relevant to the validation of a judgment (i.e., differentiate, estimate, order).

***Synthesis:*** Ability to put parts together to form a new whole or proposed set of operations; ability to relate ideas and formulate hypotheses (i.e. combine, formulate, revise).

***Evaluation:*** Ability to judge the value of material for a given purpose on the basis of consistency, logical accuracy, and comparison to standards; ability to appraise judgments involved in the selection of a course of action (i.e., criticize, justify, conclude).

The three levels of coverage can be defined as follows:

***Level A:*** Requiring the skill levels of knowledge and comprehension.

***Level B:*** Requiring the skill levels of knowledge, comprehension, application, and analysis.

***Level C:*** Requiring all six skill levels, knowledge, comprehension, application, analysis, synthesis, and evaluation.

The levels of coverage as they apply to each of the major topics of the Content Specification Outlines are shown on the following pages with each topic listing. The levels represent the manner in which topic areas are to be treated and represent ceilings, i.e., a topic area designated as Level C may contain requirements at the “A,” “B,” or “C” level, but a topic designated as Level B will not contain requirements at the “C” level.

**CMA Content Specification Overview**

***Part 1 Financial Planning, Performance and Control***  
*(4 hours – 100 questions and 2 essay questions)*

<b>Planning, Budgeting and Forecasting</b>	<b>30%</b>	<b>Level C</b>
<b>Performance Management</b>	<b>25%</b>	<b>Level C</b>
<b>Cost Management</b>	<b>25%</b>	<b>Level C</b>
<b>Internal Controls</b>	<b>15%</b>	<b>Level C</b>
<b>Professional Ethics</b>	<b>5%</b>	<b>Level C</b>

***Part 2 Financial Decision Making***  
*(4 hours – 100 questions and 2 essay questions)*

<b>Financial Statement Analysis</b>	<b>25%</b>	<b>Level C</b>
<b>Corporate Finance</b>	<b>25%</b>	<b>Level C</b>
<b>Decision Analysis and Risk Management</b>	<b>25%</b>	<b>Level C</b>
<b>Investment Decisions</b>	<b>20%</b>	<b>Level C</b>
<b>Professional Ethics</b>	<b>5%</b>	<b>Level C</b>

**Content Specification Outlines for the  
Certified Management Accountant (CMA)  
Examinations**

Candidates for the CMA designation are assumed to have knowledge of the following: preparation of financial statements, business economics, time-value of money concepts, statistics and probability. Questions in both parts of the CMA exam will assume that the successful candidate can effectively integrate and synthesize this knowledge with the specific topics covered in the content specification outline.

**Part 1 - Financial Planning, Performance and Control**

**A. Planning, Budgeting and Forecasting (30% - Levels A, B, and C)**

**1. *Budgeting concepts***

- a. Operations and performance goals
- b. Characteristics of a successful budget process
- c. Resource allocation
- d. Other budgeting concepts

**2. *Forecasting techniques***

- a. Regression analysis
- b. Learning curve analysis
- c. Exponential smoothing
- d. Time series analysis
- e. Expected value

**3. *Budgeting methodologies***

- a. Annual business plans (master budgets)
- b. Project budgeting
- c. Activity-based budgeting
- d. Zero-based budgeting
- e. Continuous (rolling) budgets
- f. Flexible budgeting

**4. *Annual profit plan and supporting schedules***

- a. Operational budgets
- b. Financial budgets
- c. Capital budgets

**5. *Top-level planning and analysis***

- a. Pro forma income
- b. Financial statement projections
- c. Cash flow projections

## Institute of Certified Management Accountants

### **B. Performance Management (25% - Levels A, B, and C)**

#### **1. *Cost and variance measures***

- a. Comparison of actual to planned results
- b. Use of flexible budgets to analyze performance
- c. Management by exception
- d. Use of standard cost systems
- e. Analysis of variation from standard cost expectations

#### **2. *Responsibility centers and reporting segments***

- a. Types of responsibility centers
- b. Transfer pricing models
- c. Reporting of organizational segments

#### **3. *Performance measures***

- a. Product profitability analysis
- b. Business unit profitability analysis
- c. Customer profitability analysis
- d. Return on investment
- e. Residual income
- f. Investment base issues
- g. Effect of international operations
- h. Critical success factors
- i. Balanced scorecard

### **C. Cost Management (25% - Levels A, B, and C)**

#### **1. *Measurement concepts***

- a. Cost behavior and cost objects
- b. Actual and normal costs
- c. Standard costs
- d. Absorption (full) costing
- e. Variable (direct) costing
- f. Joint and by-product costing

#### **2. *Costing systems***

- a. Job order costing
- b. Process costing
- c. Activity-based costing
- d. Life-cycle costing

## Institute of Certified Management Accountants

### 3. *Overhead costs*

- a. Fixed and variable overhead expenses
- b. Plant-wide versus departmental overhead
- c. Determination of allocation base
- d. Allocation of service department costs

### 4. *Operational Efficiency*

- a. Just-in time manufacturing
- b. Material requirements planning (MRP)
- c. Theory of constraints and throughput costing
- d. Capacity management and analysis

### 5. *Business process performance*

- a. Value chain analysis
- b. Value-added concepts
- c. Process analysis
- d. Benchmarking
- e. Activity-based management
- f. Continuous improvement concepts
- g. Best practice analysis
- h. Cost of quality analysis

## D. Internal Controls (15% - Levels A, B, and C)

### 1. *Risk assessment, controls, and risk management*

- a. Internal control structure and management philosophy
- b. Internal control policies for safeguarding and assurance
- c. Internal control risk
- d. Implications of the Sarbanes-Oxley Act of 2002
- e. U.S. Foreign Corrupt Practices Act internal control requirements
- f. COSO Internal Control Framework

### 2. *Internal auditing*

- a. Responsibility and authority of the internal audit function
- b. Types of audits conducted by internal auditors

### 3. *Systems controls and security measures*

- a. General accounting system controls
- b. Application and transaction controls
- c. Network controls
- d. Flowcharting to assess controls
- e. Backup controls
- f. Disaster recovery procedures

## Institute of Certified Management Accountants

### E. Professional Ethics (5% - Levels A, B, and C)

#### *1. Ethical considerations for management accounting and financial management professionals*

- a. Provisions of IMA's "Statement of Ethical Professional Practice"
- b. Evaluation and resolution of ethical issues such as:
  - Fraudulent reporting
  - Manipulation of analyses and results
  - Unethical behavior in developing budgets and standards
  - Manipulation of decision factors

**Part 2- Financial Decision Making**

**A. Financial Statement Analysis (25% - Levels A, B, and C)**

**1. Basic Financial Statement Analysis**

- a. Common size financial statements
- b. Common base year financial statements
- c. Growth analysis
- d. Purposes and components of financial statements

**2. Financial Performance Metrics – Financial Ratios**

- a. Liquidity
- b. Leverage
- c. Activity
- d. Profitability
- e. Market

**3. Profitability analysis**

- a. DuPont analysis
- b. Income measurement analysis
- c. Revenue analysis
- d. Cost of sales analysis
- e. Expense analysis
- f. Variation analysis

**4. Analytical Issues in Financial Accounting**

- a. Impact of foreign operations
- b. Effects of changing prices and inflation
- c. Off-balance sheet financing
- d. Cash Flow Statement reconciliation to Income Statement
- e. Impact of changes in accounting treatment
- f. International Financial Reporting Standards (IFRS)
- g. Fair value accounting
- h. Differences in accounting and economic concepts of value and income
- i. Earnings quality

**B. Corporate Finance (25% - Levels A, B, and C)**

**1. Risk and return**

- a. Calculating return
- b. Types of risk
- c. Relationship between risk and return
- d. Risk and return in a portfolio context
- e. Diversification
- f. Asset pricing models

**2. Managing financial risk**

- a. Portfolio management
- b. Hedging
- c. Financial risk management

**3. Financial instruments**

- a. Term structure of interest rates
- b. Bonds
- c. Debt management
- d. Common stock
- e. Preferred stock
- f. Options and other derivatives
- g. Valuation of financial instruments

**4. Cost of capital**

- a. Weighted average cost of capital
- b. Cost of individual capital components
- c. Calculating the cost of capital
- d. Marginal cost of capital

**5. Managing current assets**

- a. Working capital terminology
- b. Cash management
- c. Marketable securities management
- d. Accounts receivable management
- e. Inventory management
- f. Types of short-term credit
- g. Minimizing the cost of short-term credit

**6. Raising capital**

- a. Financial markets and regulation
- b. Market efficiency
- c. Financial institutions
- d. Initial public offerings
- e. Secondary offerings

## **Institute of Certified Management Accountants**

- f. Dividend policy and share repurchases
- g. Private placements
- h. Lease financing

### **7. *Corporate restructuring***

- a. Mergers and acquisitions
- b. Divestitures
- c. Bankruptcy

### **8. *International finance***

- a. Fixed, flexible and floating exchange rates
- b. Managing transaction exposure
- c. Financing international trade
- d. Transfer pricing tax implications
- e. Political risk

## **C. Decision Analysis and Risk Management (25% - Levels A, B, and C)**

### **1. *Cost/volume/profit analysis***

- a. Breakeven analysis
- b. Profit performance and alternative operating levels
- c. Analysis of multiple products

### **2. *Marginal analysis***

- a. Sunk costs, opportunity costs and other related concepts
- b. Marginal costs and marginal revenue
- c. Special orders and pricing
- d. Make versus buy
- e. Sell or process further
- f. Add or drop a segment
- g. Capacity considerations

### **3. *Pricing***

- a. Market comparables
- b. Setting prices
- c. Target costing
- d. Elasticity
- e. Product life cycle considerations
- f. Market structure considerations

### **4. *Risk assessment***

- a. Risk identification and exposure
- b. Definition and scope of operational risk, hazard risk, financial risk and strategic risk
- c. Risk mitigation strategies
- d. Enterprise Risk Management

## Institute of Certified Management Accountants

### D. Investment Decisions (20% - Levels A, B, and C)

1. *Capital budgeting process*
  - a. Stages of capital budgeting
  - b. Incremental cash flows
  - c. Income tax considerations
2. *Discounted cash flow analysis*
  - a. Net present value
  - b. Internal rate of return
  - c. Comparison of NPV and IRR
3. *Payback and discounted payback*
  - a. Uses of payback method
  - b. Limitations of payback method
  - c. Discounted payback
4. *Ranking investment projects*
  - a. Ranking methods
  - b. Capital rationing
  - c. Mutually exclusive projects
5. *Risk analysis in capital investment*
  - a. Sensitivity analysis
  - b. Certainty equivalents
  - c. Real options
6. *Valuation*
  - a. Discounted cash flow models
  - b. Multiples models
  - c. Valuation for acquisitions and divestitures
  - d. Discount rates

### E. Professional Ethics (5% - Levels A, B, and C)

1. *Ethical considerations for the organization*
  - a. Anti-bribery provisions of the U.S. Foreign Corrupt Practices Act
  - b. Provisions of IMA's Statement on Management Accounting, "Values and Ethics: From Inception to Practice"
  - c. Corporate responsibility for ethical conduct