

CMA Candidate Series Presents:

The Best CMA Exam Tips and Strategies

Gaby Lahoud, CMA, CFA, CSCA, PMP

2 April 2020



The Association of
Accountants and
Financial Professionals
in Business

Webinar Features and CPE Credit



Asking Questions



Help



#CMA 2

Moderator



Nina Azzi
Marketing Manager Middle East and India
IMA

Featured Presenter



Gaby Lahoud, CMA, CFA, CSCA, PMP
CEO

**B CertifiedPro LLC and
Serenity Advisors LLC**



#CMA 4

Gaby Lahoud's Biography

- Gaby is the founder and CEO of B CertifiedPro LLC and Serenity Advisors LLC. He has more than 15 years of experience working in the fields of finance, accounting, education, and public speaking across multiple industries catering for international and regional markets. He is a CMA, CFA, and PMP, holds an MBA in Banking & Finance, and is a PhD candidate in Strategic Management.
- Mr. Lahoud has held multiple positions in regional and multinational organizations, a professional and academic instructor in multiple professional institutions and academic universities, as well as provide in-house training.
- Gaby is a board member at IMA Global, member of IMA MRC global committee and chair of IMA MVE global subcommittee. Founded IMA Lebanon Chapter along with his founding board to add Lebanon to the IMA professional map, was president from 2016 until 2019 and now serves as the advisory VP.



Learning Objectives

Upon completing this webinar, you will be able to:

1. Describe how the new CMA exam is structured.
2. Apply valuable insights on CMA exam-taking guidance for better exam preparation.
3. Give examples of the types of multiple choice and essay questions that will be included in the CMA exam.



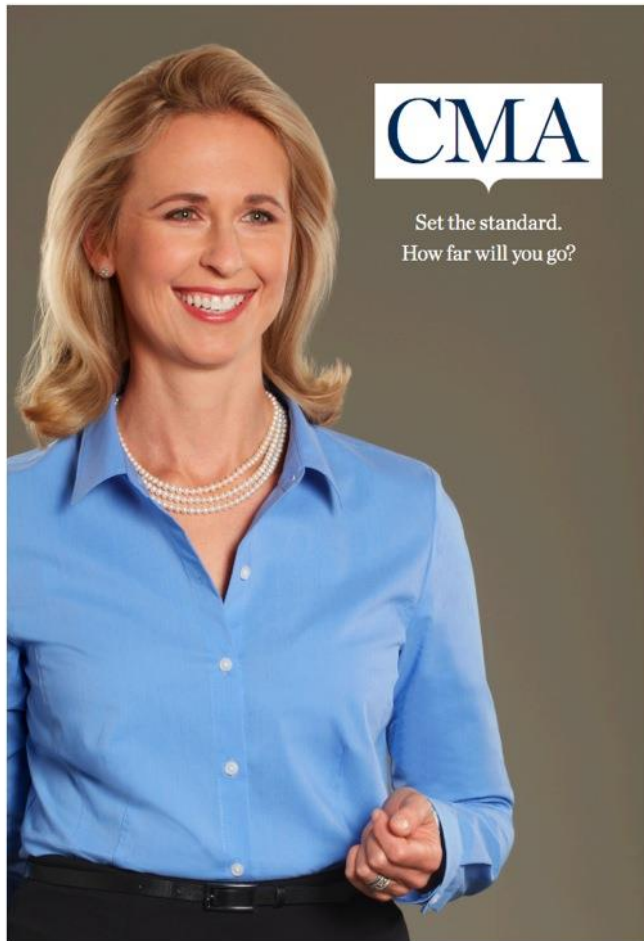
Get to know us

- IMA® (Institute of Management Accountants) is the professional association of accountants and financial professionals in business.
- We are committed to helping you—and our more than 125,000 members worldwide—strengthen your financial management skills, power your organization's performance, and grow your career potential.



#CMA 7

Earn a Valued Credential



The CMA® (Certified Management Accountant) credential can take you to the next chapter of your career.

The CMA credential is...

- **Prestigious** – Self-selected credential earned through testing
- **Professional** – IMA's Salary Survey shows strong career growth and greater earning power
- **Rigorous** – Testing, education, job experience, and continuing education requirements
- **Empowering** – Promoting your credential allows you to become a leader in your profession
- **Competent** – Attests proven on-the-job skills









#CMA 8

CMA Exam Structure (Effective Jan 2020)

Part 1: Financial Planning, Performance, and Analytics

-  External financial reporting decisions
-  Planning, budgeting, and forecasting
-  Performance management
-  Cost management
-  Internal controls
-  Technology and Analytics

Part 2: Strategic Financial Management

-  Financial statement analysis
-  Corporate finance
-  Decision analysis
-  Risk management
-  Investment decisions
-  Professional ethics

**Each exam part is 4 hours long:
100 multiple-choice questions, followed by two 30-minute essay problems**

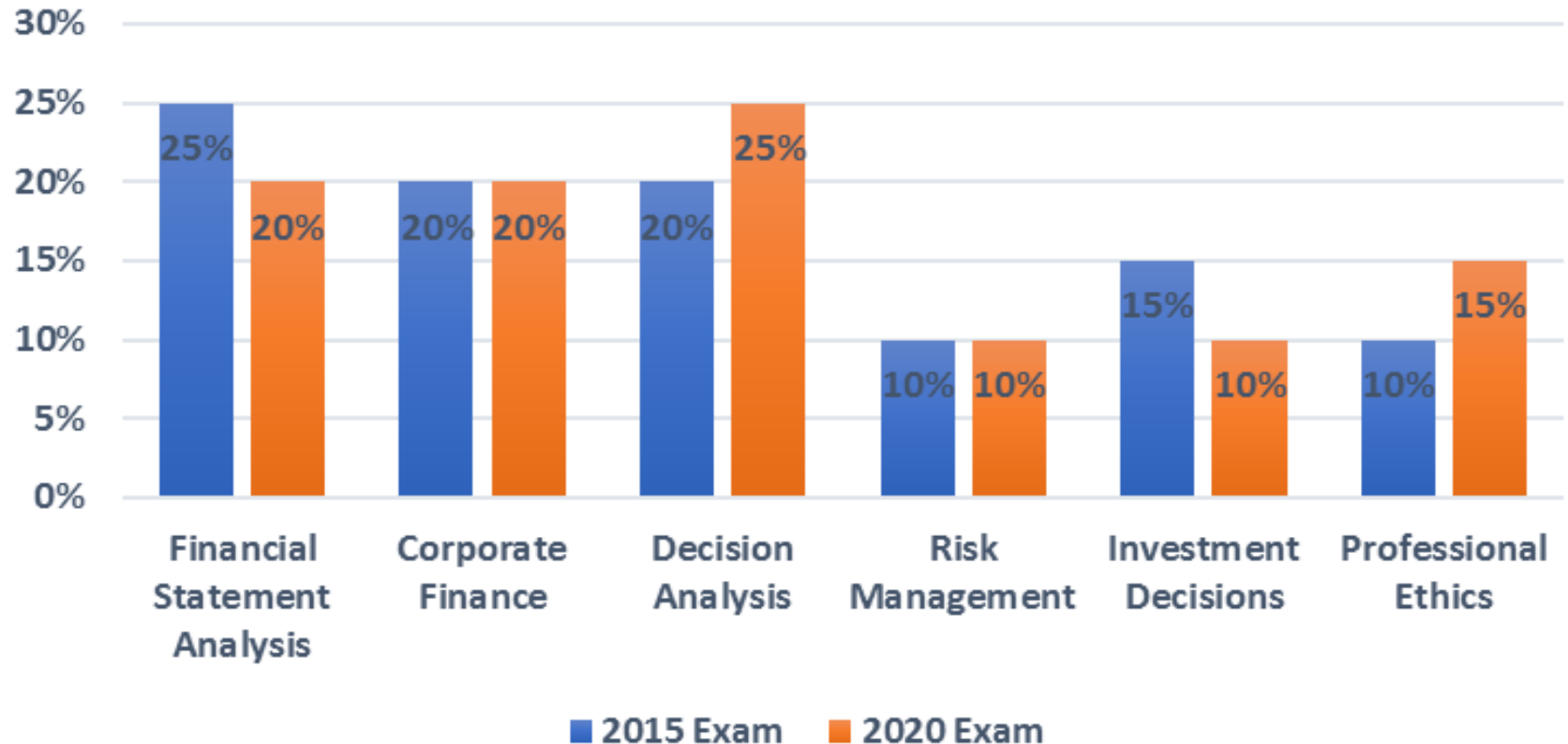
New Exam Structure Part 1

CMA PART 1 CONTENT DOMAINS



New Exam Structure Part 2

CMA PART 2 CONTENT DOMAINS



Recommended Study Time

- IMA recommends 150 hours per exam part.
- The exact amount depends on your:
 - Background (university major and work experience).
 - Familiarity with the topics tested.
 - Studying methods (live courses, self study, full programs from course providers, etc.).
 - Consistency and studying strategy.



Recommended Exam Tips

- Set your exam date as early as possible to be able to create an effective study schedule.
- Create a study strategy that accommodate your work-study-life balance within the schedule set.
- Make short summaries on study topics & formulas.
- Practice, practice, practice...
- Arrive early on your exam day.
- Get familiarized with the Prometric center the day before.
- Eat light, don't drink too much, don't take any unneeded items, take a taxi if there is a parking issue...
- Stay positive, don't stress, keep track of time and work systematically on your questions.



Practice Exam



Poll 1: Multiple Choice Questions (MCQ)

In strategic planning, PEST analysis is best described as evaluating which of the following factors?

- a. Political, economic, social, and technological
- b. People, environment, sustainability, and tactics
- c. Process, efficiency, scale, and timing
- d. Products, employees, strengths, and threats



Poll 1: Multiple Choice Questions (MCQ)

In strategic planning, PEST analysis is best described as evaluating which of the following factors?

- a. Political, economic, social, and technological
- b. People, environment, sustainability, and tactics
- c. Process, efficiency, scale, and timing
- d. Products, employees, strengths, and threats



Poll 2: Multiple Choice Questions (MCQ)

Which one of the following statements correctly describes the accounting treatment of research and development costs (R&D) under U.S. GAAP and IFRS?

- a. Both U.S. GAAP and IFRS allow for costs of R&D to be capitalized.
- b. Neither U.S. GAAP nor IFRS allow for costs of R&D to be capitalized.
- c. U.S. GAAP allows for the capitalization of the costs of R&D, and IFRS requires R&D costs to be expensed.
- d. U.S. GAAP requires R&D to be expensed, and IFRS requires research costs to be expensed but allows for the capitalization of the development costs.



Poll 2: Multiple Choice Questions (MCQ)

Which one of the following statements correctly describes the accounting treatment of research and development costs (R&D) under U.S. GAAP and IFRS?

- a. Both U.S. GAAP and IFRS allow for costs of R&D to be capitalized.
- b. Neither U.S. GAAP nor IFRS allow for costs of R&D to be capitalized.
- c. U.S. GAAP allows for the capitalization of the costs of R&D, and IFRS requires R&D costs to be expensed.
- d. U.S. GAAP requires R&D to be expensed, and IFRS requires research costs to be expensed but allows for the capitalization of the development costs.

Multiple Choice Questions (MCQ)

The balance sheet of Company XYZ as of 12/31/20X3 is shown below.

Assets		Liabilities and Shareholders' Equity	
Cash	\$110	Accounts payable	\$208
Accounts receivables	280	Notes payable	150
Inventories	175	Accrued expenses	50
Prepaid expenses	20	Deferred taxes	112
Property, plant, and equipment	700	Long-term debt	485
Intangible assets	<u>100</u>	Stockholders' equity	<u>380</u>
Total assets	<u>\$1,385</u>	Total liabilities and shareholders' equity	<u>\$1,385</u>

What was Company XYZ's net working capital as of 12/31/20X3?

- a. \$32
- b. \$65
- c. \$177
- d. \$227



Multiple Choice Questions (MCQ)

The balance sheet of Company XYZ as of 12/31/20X3 is shown below.

Assets		Liabilities and Shareholders' Equity	
Cash	\$110	Accounts payable	\$208
Accounts receivables	280	Notes payable	150
Inventories	175	Accrued expenses	50
Prepaid expenses	20	Deferred taxes	112
Property, plant, and equipment	700	Long-term debt	485
Intangible assets	<u>100</u>	Stockholders' equity	<u>380</u>
Total assets	<u>\$1,385</u>	Total liabilities and shareholders' equity	<u>\$1,385</u>

What was Company XYZ's net working capital as of 12/13/20X3?

- a. \$32
- b. \$65
- c. \$177
- d. \$227



Poll 3: Multiple Choice Questions (MCQ)

A manufacturing entity, located in a sparsely populated region of the country, has a policy of leaving its raw material inventory warehouse doors open during normal business hours to optimize workflow. The controller for the entity has just noticed that some raw material inventory is missing. Using the fraud triangle model, the controller has determined that the entity's policy **most** likely increases the risk of fraud by

- a. Incentivizing employees to commit the fraud.
- b. Increasing the ease of rationalization of the fraudulent activity.
- c. Assisting employees to perceive a financial need.
- d. Increasing the opportunity to commit the fraud.



Poll 3: Multiple Choice Questions (MCQ)

A manufacturing entity, located in a sparsely populated region of the country, has a policy of leaving its raw material inventory warehouse doors open during normal business hours to optimize workflow. The controller for the entity has just noticed that some raw material inventory is missing. Using the fraud triangle model, the controller has determined that the entity's policy **most** likely increases the risk of fraud by

- a. Incentivizing employees to commit the fraud.
- b. Increasing the ease of rationalization of the fraudulent activity.
- c. Assisting employees to perceive a financial need.
- d. Increasing the opportunity to commit the fraud.



Poll 4: Multiple Choice Questions (MCQ)

A company sells medical devices used in cardiac surgery. All its products after packaging are sent out for gamma irradiation for sterilization. While conducting an enterprise risk management evaluation, the company's CFO determined that the company faced an operation risk from having only one supplier for this service. There were additional concerns that the company faced the risk that gamma irradiation could be subject to adverse regulatory or consumer perception changes. The CFO started the processes of qualifying another vendor to supply gamma irradiation services to minimize the supplier risk. The remaining risk is best described as:

- a. Inherent risk.
- b. Residual risk.
- c. Open supplier risk.
- d. Political risk.



Poll 4: Multiple Choice Questions (MCQ)

A company sells medical devices used in cardiac surgery. All its products after packaging are sent out for gamma irradiation for sterilization. While conducting an enterprise risk management evaluation, the company's CFO determined that the company faced an operation risk from having only one supplier for this service. There were additional concerns that the company faced the risk that gamma irradiation could be subject to adverse regulatory or consumer perception changes. The CFO started the processes of qualifying another vendor to supply gamma irradiation services to minimize the supplier risk. The remaining risk is best described as:

- a. Inherent risk.
- b. Residual risk.
- c. Open supplier risk.
- d. Political risk.



Poll 5: Multiple Choice Questions (MCQ)

A corporation has days sales in receivables of 40 days, days sales in inventory of 45 days, and a cash cycle of 30 days. The corporation has days purchases in payables of:

- a. 115 days.
- b. 55 days.
- c. 35 days.
- d. 25 days.



Poll 5: Multiple Choice Questions (MCQ)

A corporation has days sales in receivables of 40 days, days sales in inventory of 45 days, and a cash cycle of 30 days. The corporation has days purchases in payables of:

- a. 115 days.
- b. 55 days.
- c. 35 days.
- d. 25 days.



Poll 6: Multiple Choice Questions (MCQ)

Which one of the following should **not** be considered when completing a project cash flow analysis?

- a. Increased sales related to the project.
- b. Lease payments on previously existing equipment.
- c. Increased depreciation expense.
- d. The effect of inflation.



Poll 6: Multiple Choice Questions (MCQ)

Which one of the following should **not** be considered when completing a project cash flow analysis?

- a. Increased sales related to the project.
- b. Lease payments on previously existing equipment.
- c. Increased depreciation expense.
- d. The effect of inflation.

Multiple Choice Questions (MCQ)

The management accountant for a bookstore has prepared the following income statement for the most current year.

	<u>Cook Book</u>	<u>Travel Book</u>	<u>Classics</u>	<u>Total</u>
Sales	\$60,000	\$100,000	\$40,000	\$200,000
Cost of goods sold	<u>36,000</u>	<u>65,000</u>	<u>20,000</u>	<u>121,000</u>
Contribution margin	24,000	35,000	20,000	79,000
Order and delivery processing	18,000	21,000	8,000	47,000
Rent (per square foot used)	2,000	1,000	3,000	6,000
Allocated corporate costs	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>21,000</u>
Operating profit	<u>\$ (3,000)</u>	<u>\$ 6,000</u>	<u>\$ 2,000</u>	<u>\$ 5,000</u>

If the company drops Cook Book, the square footage used will return to the landlord. Dropping Cook Book will cause the company's operating profit to be:

- a. \$6,000 lower.
- b. \$7,000 higher.
- c. \$4,000 lower.
- d. \$4,000 higher.

Multiple Choice Questions (MCQ)

The management accountant for a bookstore has prepared the following income statement for the most current year.

	<u>Cook Book</u>	<u>Travel Book</u>	<u>Classics</u>	<u>Total</u>
Sales	\$60,000	\$100,000	\$40,000	\$200,000
Cost of goods sold	<u>36,000</u>	<u>65,000</u>	<u>20,000</u>	<u>121,000</u>
Contribution margin	24,000	35,000	20,000	79,000
Order and delivery processing	18,000	21,000	8,000	47,000
Rent (per square foot used)	2,000	1,000	3,000	6,000
Allocated corporate costs	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>21,000</u>
Operating profit	<u>\$ (3,000)</u>	<u>\$ 6,000</u>	<u>\$ 2,000</u>	<u>\$ 5,000</u>

If the company drops Cook Book, the square footage used will return to the landlord. Dropping Cook Book will cause the company's operating profit to be:

- a. \$6,000 lower.
- b. \$7,000 higher.
- c. **\$4,000 lower.**
- d. \$4,000 higher.



Essay Question

Charlene Roberts is the controller for PARKCO, a company that owns and operates several parking garages in a large Midwestern American city. Recently, the management of PARKCO has been investigating the viability of building a parking garage in an area of the city that has experienced rapid growth. Some years ago, PARKCO acquired the necessary land at a cost of \$425,000 and had demolished worthless buildings on the land at a cost of \$72,000. Since then, the land has been rented by various construction companies as a temporary storage site for building materials while the construction companies completed projects in the area. PARKCO has averaged revenue of \$5,000 per year for this use of the property.

Roberts is currently assembling financial information relating to the proposed garage. In addition to the information already presented, she received from the CFO, John Demming, the following projections:

Number of parking spaces in the proposed garage: 840

Number of parking spaces rented at the monthly rate: 420

Average number of parkers paying the daily rate is 180 (for each of the 20 business days per month). Fixed costs to operate the garage per month are \$30,000. Roberts estimates the monthly variable cost of servicing each monthly parker is \$12, and that the price of a monthly parking space would be \$75. The estimated cost per daily parker is \$2, and the daily parking rate is expected to be set at \$8. The parking garage would operate 20 business days per month.

Roberts believes, based on PARKCO's past experience with similar garages, that the projected number of monthly and daily parkers was too high. When she questioned Demming he replied, "This garage is going to be built no matter what your past experiences are. Just use the figures I gave you."



Essay Question

REQUIRED:

1.
 - a. Define sunk cost and opportunity cost.
 - b. How are these two types of cost recorded in the accounting records?
 - c. Identify the sunk costs and opportunity costs, if any, in the PARKCO scenario and show the amount of each.
2. Using the data in the scenario, calculate pre-tax operating income. Show your calculations.
3. Roberts is uncomfortable with the implications of Demming's statement and has turned to IMA's Statement of Ethical Professional Practice for guidance. According to this guidance,
 - a. Identify the ethical principles that should guide the work of a management accountant.
 - b. Identify the standards and describe how they would or would not apply in the circumstances described.
 - c. Identify the steps Roberts should take to resolve this situation.



Essay Answer

1. a. Sunk cost is cost already incurred, and thus is irrelevant to the decision at hand.
- b. Opportunity cost is the profit foregone (given up) by choosing one course of action over another. Only sunk costs are recorded as incurred, because they result from transactions. There is no accounting recording of events that could have happened (opportunity costs), so they are not recorded in the accounting system.
- c. The costs to buy and clear the land (\$425,000 and \$72,000) would be considered sunk costs, as they have already been incurred. The annual rent that from the construction companies (averaging \$5000) would be considered opportunity costs going forward, because PARKCO would have to give them up.

Essay Answer

2. *Formula:*

of leases x (monthly rate – monthly cost) = monthly CM

No. Filled In:

$$420 \times (\$75 - \$12) = \$26,460 \text{ monthly CM}$$

Formula:

of days x parkers/day x (daily rate – daily cost) = daily CM

No. Filled In:

$$20 \times 180 \times (\$8 - \$2) = \$21,600 \text{ daily CM}$$

Final Calculation:

\$26,460 + 21,600 =	\$48,060 Total CM
	<u>(30,000) Fixed Cost</u>
	\$18,060 Pre-Tax Operating Income



Essay Answer

3. a. Honesty, Fairness, Objectivity & Responsibility.

b. **Under Competence:** Prepare complete and clear reports and recommendations after appropriate analysis of relevant and reliable information.

Under Integrity: Communicate favorable as well as unfavorable information and professional judgment or opinions.

Under Credibility: Disclose fully all information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.

Confidentiality – does not apply to this scenario.

c. The controller has an ethical dilemma. In order to resolve her conflict, she needs to follow her company's policy if one exists. Next, she needs to speak to her supervisor or next level above, in this case the CFO. She may need to elevate to the Board of Directors. She may need to discuss with an objective advisor, call ethics helpline, (IMA), or consult with an attorney.



SPECIAL OFFER

Hurry! Offer ends
on April 9, 2020



30% OFF

CMA entrance fee
and IMA membership

Use code 30CMA

To register, go to: imanet.org

Use promo code 30CMA

Two lucky attendees will win a
BCertifiedPro CMA Live online
prep course worth \$900 each



Winners will be drawn on Tuesday April 7, 2020

Questions & Answers

Use the Q & A Panel to send your questions to our panelists.



Gaby Lahoud, CMA, CFA, CSCA, PMP
CEO
B CertifiedPro LLC and
Serenity Advisors LLC



Nina Azzi
Marketing Manager
Middle East and India
IMA



#CMA 38

Thank You to Our Presenter!



Gaby Lahoud, CMA, CFA, CSCA, PMP
CEO

B CertifiedPro LLC and
Serenity Advisors LLC



#CMA 39



The Association of
Accountants and
Financial Professionals
in Business

Thank You!





The Association of
Accountants and
Financial Professionals
in Business

About IMA® and the CMA® Program

IMA® (Institute of Management Accountants) is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through the CMA® (Certified Management Accountant) program, continuing education, research, networking, and advocacy of the highest ethical business practices.

The CMA is a globally recognized certification program for management accounting and finance professionals. The two-part CMA exam covers 12 critical business areas, including financial planning, analysis, control, and decision support.

Learn more at <http://www.imanet.org/cma-certification>.