



Dear CIA Part 3 Candidate,

Studying for and passing the CIA Exams is a mission that requires dedication and hard work. From our experience at HOCK with thousands of candidates, we know that planning makes this process much easier. Because the exam is available on an ongoing basis and there is no date by which you need to be prepared, studying can seem endless without a proper plan. We know it is easy to "put things off until tomorrow."

We believe that you will find studying easier and less time consuming if you have a solid plan that targets passing the Part 3 Exam within four months after you begin studying. Set out below is a 14-16 week plan, studying 8 to 10 hours per week. This is simply a guide based on the expected amount of study time for a person with some accounting background who is familiar with the basic exam concepts.

As you go through your schedule, you may find yourself getting ahead or somewhat behind due to changes in your work or personal commitments. This does not matter. Each person should study at his or her own pace and feel comfortable with the study process and time required to prepare for the exams.

While studying, there are sure to be topics that are not clear to you and perhaps some that you find incredibly difficult. When encountering these topics, you can always contact HOCK and we will help you as much as possible. Also, keep in mind that you do not need to have 100% knowledge of 100% of the exam content in order to pass. At certain points you will need to decide whether the extra time spent learning something is worth the extra knowledge gained. When in doubt about what to do, contact us and we will guide you.

I wish you great success in your studies and look forward to helping you pass the exams.

Sincerely,

A handwritten signature in black ink that reads "Brian J. Hock".

Brian Hock, CIA, CMA
President and CEO

June 2011

Part 3 is divided into 6 study units; it should take you about 14-16 weeks to study all of the material, including 3-5 weeks of review at the end.

Our basic study methodology is the same for each study unit:

- 1) Carefully read through the textbook to learn and understand the concepts. We include multiple-choice questions in the book to help you better understand the subject matter and help you get used to the style of the questions on the exam.
- 2) After completing the reading in the textbook, you should answer all of the study questions in ExamSuccess. At first, it will take you longer than it should for each question, but for the exam you should take no more than a minute and a half on each question. Continued practice will improve your test taking skills and you will get faster as you become more familiar with the process and how questions are asked. We include detailed explanations so you can understand why an answer is right or wrong.
- 3) Develop a 75+ proficiency level within each Section. Your goal is to improve your knowledge, not just memorization. You should have enough understanding of the subject matter to be able to explain it to someone else.

Note: Flash cards are included in the HOCK study material. We consider the flash cards to be a useful study tool. You can study them when you have only a few minutes of time to spare, while riding into work, or simply before going to bed.

Section A covers Business Processes. Understanding the business process is vital for businesses to succeed. It helps management more effectively and efficiently plan, operate, manage and control its business. This section consists of business planning, managing operations, business process analysis, managing resources, and pricing.

ExamSuccess

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in *Section A – Business Processes*. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

Because the CIA exam is international in scope, the accounting principles covered are based on international accounting standards (IAS/IFRS) and not U.S. GAAP, although it is possible that U.S. GAAP might be referenced.

We start Section B by first looking at some basic accounting ideas and assumptions, which are the foundation for the standards that are developed. Next, we study the basic elements of the financial statements (i.e., statement of income, balance sheet, statement of cash flow and statement of changes in equity) and then finish by looking at assets.

Assets are the left-hand side of the balance sheet. The assets (current and non-current) are the resources that are controlled by the company, which are expected to produce some future benefit. We cover only current assets during week two. The current asset topics we cover include: 1) cash management, 2) marketable securities, 3) inventory, 4) receivables, and 5) notes receivables.

Then, we discuss non-current assets. Non-current assets include both fixed assets (plant, property & equipment) and intangible assets (trademarks, copyrights, patents, goodwill, etc.). Regarding non-current assets, you should understand how non-current assets are reported, depreciated, and disposed of.

Next, we want to cover financial accounting of liabilities and equity. Liabilities and equity are the right-hand side of the balance sheet. Liabilities are made up of current and non-current liabilities. Current liabilities include such items as accounts payable (wages, office rent, taxes, etc.), notes payable, and other determinable liabilities (deferred revenue, warranties, premiums & coupons, etc.).

After discussing current liabilities, we will turn our attention to non-current liabilities (long-term liabilities). Long-term liabilities are those liabilities that will not come due in the coming year. Topics covered here are long-term notes payable, refinanced short-term liabilities, and bonds payable. The most important topic for you to understand in regards to long-term liabilities is bonds. Bonds are a main source of debt financing for companies. In regards to bonds, you have to understand how bonds are accounted for on the balance sheet.

Equity represents the claims of the owners of the company on the assets of the company. Primary components of equity are stock capital and retained earnings. Stock capital is the actual funds invested by the owners in the company. Stock capital can be either in the form of common shares, or preferred shares. Retained earnings is simply the accumulated earnings of the company from its inception.

Now that we have looked at the financial statements, we want to look at how these reports will be analyzed and critiqued by external and internal users. The most common way to analyze financials is through ratio analysis. Ratio analysis lets users see if there are positive or negative trends occurring within the company.

Next we look at financial and capital structure. When discussing a company's financial structure, we want to know the different types of financing available to the company. Capital structure has to do with such issues as optimal capital structure and means of evaluating its cost of capital.

CIA Part 3 Study Plan
Unit 2: 4 Weeks
Section B
Financial Accounting and Finance

The final two topics to be covered in Unit 2 are business combinations, and consolidation of financial statements. When a company is looking at expanding its operation, it can finance expansion either by taking on more debt, or by combining businesses. A business combination is when two or more companies come together in some form. The two most common forms of business combinations are mergers and acquisitions.

Financial statements are consolidated when the controlling company has control over another company. Control generally means ownership or more than 50% of the voting stock of a company. But, you need to keep in mind that it is possible to have control with a smaller ownership percentage, or no control with a higher percentage.

We finish Section B by studying leases, pensions (employee benefits), accounting for income taxes, accounting changes, accounting for foreign operations, and financial instruments.

ExamSuccess

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in *Section B – Financial Accounting and Finance*. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

The basis of managerial accounting is for managers to receive financial and accounting information for decision-making. We start the section by going over how much it costs to produce a product. Without knowing this information, managers are unable to know whether they are selling their product at a profit or loss. There are a number of different costing systems, but the three primary ones are: 1) variable and absorption costing, 2) process costing, and 3) activity-based costing.

The next subject covered is variance analysis. Variance analysis lets managers understand why the actual results differ from the budgeted amounts. There are a number of variances you will have to know, but they become easier once they are broken down.

Capital budgeting is the next topic. Capital budgeting refers to a group of methods used by a company to analyze possible projects to invest in. The most common methods are: 1) net present value, 2) internal rate of return, 3) payback period, and 4) accounting rate of return.

Budgeting is covered next. Budgeting is what management hopes to achieve during a specific period of time. Budgets are a good control activity for management. The budgeting process starts with the sales budget, and ends with the cash budget. The cash budget tracks the flow of cash in and out of the company, and thus allows management to plan for cash shortfalls.

Next we look at transfer pricing. Transfer pricing is the price that one unit in a company charges another unit of the same company for its goods or services. The goal in setting a transfer price is that the method used will stimulate the department managers to do what will provide the greatest benefit to the company as a whole.

The last three topics covered in Section C are: 1) marginal analysis, 2) cost-volume-price analysis (CVP), and 3) responsibility accounting.

Marginal analysis is the process of making a decision between two or more alternatives.

CVP analysis is used primarily for short-run decision-making. CVP analysis is useful in determining how many units need to be sold in order to break even. It can also be used to tell the manager how many units are needed to be sold in order to achieve a certain profit level.

Responsibility accounting is the final topic of Section C. Responsibility accounting is a method of breaking down costs into those costs that are controlled by the manager, and those costs that cannot be controlled by the manager. Responsibility accounting can be used for performance evaluation.

ExamSuccess

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in *Section C – Managerial Accounting*. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

CIA Part 3 Study Plan
Unit 4: 1 Week
Section D
Regulatory, Legal, and Economics

Section D is not a big part of the Part 3 exam (5-15% of the exam), so you should not spend too much time on this section. The first topic to be covered discusses government regulation, which unfortunately is a fact of life for every form of business.

The next topic covered entails contracts and legal evidence. Here you have to understand the different forms of contracts and the elements of the contracts. You will also be expected to know the different types of legal evidence. Understanding legal evidence is useful particularly when it involves cases of fraud.

Macroeconomics and microeconomics are also covered in this section. Microeconomics focuses on the individual consumer and on the company, whereas macroeconomics concerns the economy as a whole.

The final topic of section D is a look at international trade. The importance of international trade is growing every day, so it's important that you have an understanding of the basics of international trade, foreign currency rates, balance of payments, and trade restrictions.

ExamSuccess

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in *Section D – Regulatory, Legal and Economics*. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

Section E covers IT, which is a largest part of the Part 3 exam, comprising 30-40% of the exam. This is an important section on the exam, so you should read the textbook carefully and be sure that you understand the concepts. Topics covered include the following:

- A description of information technology, and basic control concepts.
- A review of the process of planning, analyzing, designing and implementing a computer system.
- The basics of operating systems, and software licensing issues.
- A discussion of computer networks, including the Internet.
- eCommerce, electronic data interchange (EDI), online transaction processing, and electronic payment processing.
- A review of systems security, cybercrime, and business continuity.
- The development and use of databases.
- A brief description of Enterprise Resource Planning (ERP) systems.

ExamSuccess

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in *Section E – Information Technology*. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

Prior to your exam and after you have completed studying, you will want to at least skim through the entire material one more time. While doing this, you won't want to focus on any individual idea or topic or try to memorize the formulas. Simply make certain that you are familiar with all of the topics, both large and small, and refresh your memory as to the key terms and ideas. The amount of time that you will need to review depends on your previous knowledge and experience with the fairly long and detail-oriented topics of financial accounting, managerial accounting and information technology.

After you skim through the materials, you will want to focus on the main topics, which are identified in the Section Overviews.

If you have not been using them up to this point, now is a good time to use the flash cards. The flash cards do not cover every little detail in the materials, but they address the main topics, definitions and formulas that are most likely to be tested. Get out the flash cards whenever you can, even for a few minutes.

During the final week or two before your exam, create several Exam Simulations in ExamSuccess. Each of these Exam Simulations will contain 100 questions selected randomly from the entire question base in approximately the same distribution as the questions will be on the real exam. For example, if a particular major section will account for 25% of the questions on the real exam, 25% of the questions on the simulation exam will also come from that section. The simulation exams will be timed for 2.75 hours, so set aside this much time when you will not be interrupted for taking each test. You need to become accustomed to sitting for almost three hours in one place and answering questions on the computer.

And as always, if you have any questions at all, contact the HOCK team and we will be happy to help you.

Mock Exam: You should be prepared to take the Part 3 Mock Exam and then pass the real exam shortly after. Email us at cia@hockinternational.com and ask for the mock exam to be emailed to you. It is a paper and pencil exam containing 100 questions to be completed in 2.75 hours.