



Dear CMA Part 2 Candidate,

Studying for and passing the CMA 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 throughout the year 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." However, you cannot afford to do that. Under the guidelines for the exams introduced in 2010, if you do not register for an exam within 12 months of entering the program, you will be required to pay the entrance fee again. And you will be required to complete the program within three years from entry into the program.

We believe that you will find studying easier and less time consuming if you have a solid plan that targets passing the Part 2 Exam within three to four months after you begin studying. Set out below is a 15-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 financial 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". The signature is written in a cursive style with a large, stylized initial "B".

Brian Hock, CMA, CIA

President and CEO

July 2010



2010 CMA Part 2 Study Plan

Unit 1: 3 Weeks

Section A – Financial Statement Analysis

Section A contains three major topics: Basic Financial Statement Analysis, Ratios, and Analytical Issues in Financial Accounting. As you read these topics, you will find questions within the reading. The correct answers to the questions appear at the end of the book.

Basic Financial Statement Analysis covers the Statement of Financial Position (Balance Sheet), the Statement of Earnings (Income Statement), Statement of Cash Flows, and the Statement of Changes in Shareholders' Equity. For the Statement of Cash Flows, make sure you understand the difference between the direct and the indirect method. For the Balance Sheet and Income Statement, you need to know how to prepare and analyze common-size financial statements and common base year financial statements.

Your study of **Ratios** and other calculations used in financial statement analysis will require you to memorize all of the different ratios, the way they are calculated and what they are used for and measure. But that is not all. **It is important to understand not only how to calculate the ratios, but also how to interpret them.**

The Statement of Cash Flows is so important in this exam that you will see it again in the topic of **Analytical Issues in Financial Accounting**. Here, you need to know how to prepare a Statement of Cash Flows using the indirect method. Additional topics cover the impact on financial ratios of various events, transactions, management decisions and financial reporting choices.

ExamSuccess

After completing the reading and the questions in the book for each of the topics below, open your ExamSuccess study software. Create and complete a Study Session in ExamSuccess consisting of **all** of the questions in that topic in ExamSuccess.

Note that the default number of questions is ½ of the total number of questions. We recommend when you set up a study session that you change the default number to the maximum number of the questions that are available. You do not have to complete all of the questions in a study session at one sitting. You can close out a session without grading it, and then you can re-open it again and work on it more later by simply clicking on "Resume/Manage Sessions" on the first screen that comes up when you open the program.

When you have completed the Study Session and scored it, re-study all questions missed by looking up in the book the topics missed and creating a new Study Session from all incorrectly answered questions.

It is very important to use your ExamSuccess software **as you are progressing** through the book. Do not let it go until you have read the whole book. ExamSuccess gives you an opportunity to put into practice the concepts you have been reading about. Practice is very important for learning.

As you work through the book, periodically stop and create a Study Session of 50 questions drawn from **all** the topics you have studied to date. This will keep you fresh on the topics you studied earlier so you do not forget the material.



2010 CMA Part 2 Study Plan

Unit 1: 3 Weeks

Section A – Financial Statement Analysis

Several of the topics in Section A will require you to have a good understanding of financial accounting and external financial reporting. If you need to review this, refer to Volume 2 of the HOCK Assumed Knowledge e-book or to accounting textbooks. If you use textbooks, you will probably need both an intermediate and an advanced accounting textbook. The HOCK Assumed Knowledge e-book is free with the purchase of study materials for both CMA exam parts, or it is available for purchase by those who do not purchase both study materials parts.

The ExamSuccess topics in Section A, Financial Statement Analysis, are:

- Basic Financial Statement Analysis
- Ratios
- Analytical Issues in Financial Accounting

The questions in ExamSuccess on Ratios are divided into two broad groups:

- 1) Liquidity Ratios, Leverage Ratios, Coverage Ratios and Activity Ratios; and
- 2) Profitability Ratios, Market Ratios and Profitability Analysis.

Because the questions in ExamSuccess are grouped the way they are, you should study liquidity, leverage, coverage and activity ratios in your book and then complete the ExamSuccess questions on those ratios. Then, study profitability ratios, market ratios, and profitability analysis in your book and complete the ExamSuccess questions on those topics.



2010 CMA Part 2 Study Plan

Unit 1: 3 Weeks

Section A – Financial Statement Analysis

Administrative Task: If this is your first exam, be sure to become a member of the IMA and pay your certification entrance fee. You need to be a member of the IMA and pay the certification entrance fee before you will be able to register for any specific exam. The processing of your membership application will take some time, so you should do that right away.

The certification fee may be paid along with your membership application, or it may be paid when you register for your first exam. Your certification entrance fee will give you access to the IMA's CMA Support Package and to other preparation resources from the IMA, so there are advantages to paying it before you begin studying. On the other hand, some people may prefer to wait to pay the certification entrance fee until they register for their first exam, because the certification entrance fee is valid for three years. If you have not passed both exams within three years of paying the fee, you must pay the fee again. Furthermore, if you do not register for an exam within 12 months of paying your certification fee, you will need to pay the fee again. So you should consider the advantages of paying the certification entrance fee in advance and getting access to the resources versus waiting until you register for your first exam and having more time to complete your exams without having to pay the fee again.

Before you will be able to schedule your exam appointment, you will need to register with the ICMA for the exam and wait to receive your authorization number. You should keep the necessary lead time in mind when you register for the exam. The ICMA states that they process exam registrations within 3 to 4 business days and then send the authorization number out by the U.S. Postal Service. Therefore, it could take 1-2 weeks for persons in the U.S. to receive their authorization number after registering and much longer for persons outside the U.S. After you have registered, you can also send an email to the IMA at ima@imanet.org and ask them to send your authorization number to you by email so that you can get it sooner.

Your exam registration will authorize you to take the exam within the next two-month testing window. The testing windows are January-February, May-June, and September-October. Registrations for Part 2 received on or after February 1st, June 1st, or October 1st will be registered for the following testing window.

The ICMA recommends that you schedule your exam appointment at least 6 weeks before your desired date to insure your first choice of date, time, and location. You will need 1-2 weeks for your registration to be processed and then 6 weeks to schedule your exam appointment, for a total of about 2 months. However, do not register too soon, or you may find yourself appearing for the exam before you are prepared for it.

2010 CMA Part 2 Study Plan

Unit 2: 4 Weeks

Section B – Corporate Finance

Section B has four groupings of topics, each of which should consume about $\frac{1}{4}$ of your study time in this unit. The four groupings are:

- 1) Risk and Return in Investing
- 2) Financial Instruments and Derivatives
- 3) Cost of Capital, Managing Current Assets and Raising Capital
- 4) Corporate Restructuring, Bankruptcy and International Finance

Risk and Return in Investing

Risk and Return in Investing includes several important and challenging topics. Measurement of risk in investments involves statistics, but the concepts you need to know are presented in the text. You will need to understand the concepts of expected value, variance and standard deviation. Another important topic is the Capital Asset Pricing Model. This is a model you will need to be very familiar with and comfortable in using.

Portfolio theory and the calculation of the expected return and the standard deviation of a two-security portfolio are also important to understand.

ExamSuccess

The ExamSuccess topics in the Risk and Return in Investing portion of Section B are:

- Risk and Return
- Measurement of Risk in Investments
- Business and Financial Risk
- Portfolio Risk and Return

After you read each topic in your book, you should complete **all** of the ExamSuccess questions for the corresponding topic.

Financial Instruments and Derivatives

The **Financial Instruments** portion of these topics covers capital structure, debt financing and equity financing. You must be certain that you understand the advantages and disadvantages of using debt and equity as well as the different types of debt (various characteristics of bonds) and equity (common and preferred shares). The **Derivatives** topic covers the use of derivatives to hedge risk. Forward and futures contracts, swaps, options, and some of the hedging strategies that can be used are discussed.

ExamSuccess

The ExamSuccess topics in the Financial Instruments and Derivatives grouping of Section B are:

- Financial Instruments
- Derivatives

After you read each topic in your book, you should complete **all** of the ExamSuccess questions for the corresponding topic.

Cost of Capital, Managing Current Assets and Raising Capital

This portion of the exam covers calculation of the **Cost of Capital**. This is done on the level of simply the cost of a particular bond or share issuance as well as the total weighted average cost of capital (WACC) for the company. If you know the formulas for these different calculations, the questions will be much easier. The WACC calculation can be rather complicated when there are three or four sources of capital, but you need to remember that it starts by doing the calculation of each item individually. If you are able to do this, you can probably make a good guess at the correct answer without doing the final WACC calculation.

Managing Current Assets includes working capital management, which encompasses current asset as well as current liability management. There are two different ways that you need to understand working capital: 1) on a definitional and conceptual level, and 2) in a practical, numerical way. You need to know what working capital is and what it is made up of, as well as the reasons a company needs it and how much a company may need in different situations. You must also be able to determine how much a transaction affects working capital and what types of transactions will have the desired effect on working capital.

In addition to general working capital knowledge, you will also want to be familiar with the issues related to the individual current assets that make up working capital. You will need to understand the different ways of slowing cash disbursements and speeding cash collections, the issues related to inventory management, cash discounts for receivables collection and the balance between cash and marketable securities. All of these topics are covered in the materials, and you want to be certain that you are comfortable with them.

After covering working capital in this material, we will also look at short-term financing. This includes two major sources of short-term financing: 1) bank loans, and 2) the factoring of receivables. You must be able to calculate the effective interest rate for the different types of loans and the amount of cash received from the sale (factoring) of receivables. We also cover trade credit and the cost of not taking a discount if one is offered for quick payment.

The topic of **Raising Capital** covers capital markets, both primary and secondary; ratings agencies, and cash and stock dividends. Lease versus purchase analysis is also discussed.

ExamSuccess

The ExamSuccess topics in this portion of Section B are:

- Cost of Capital
- Current Assets
- Raising Capital

After you read each topic in your book, you should complete **all** of the ExamSuccess questions for the corresponding topic.



2010 CMA Part 2 Study Plan Unit 2: 4 Weeks Section B – Corporate Finance

Corporate Restructuring, Bankruptcy and International Finance

Corporate Restructuring includes business combinations, divestitures, and ownership restructuring.

Bankruptcy covers voluntary liquidation of a company as well as both reorganization and liquidation under supervision of the bankruptcy court.

In **International Finance**, we discuss direct foreign investment, benefits of international diversification, international trade and exchange rates, managing exchange rate risk through the use of natural hedges and foreign currency derivatives, the use of foreign financing, and financing of international trade. Transfer pricing for multinational corporations is covered, as well.

ExamSuccess

The ExamSuccess topics in the Financial Instruments and Derivatives grouping of Section B are:

- Corporate Restructuring and Bankruptcy
- International Finance

Essay Practice Questions

After you have finished reading and studying Section B, complete Practice Question #1 – Financial Statement Analysis, and Practice Question #2 – Financial Instruments and Cost of Capital.

Section C has four main parts: Marginal Analysis, Pricing, Cost-Volume-Profit Analysis/Breakeven Analysis, and Risk Management.

Marginal Analysis involves decisions such as the optimal production level, make-or-buy decisions, whether or not to accept a special order, and sell or process further decisions. An important concept in this regard is the difference between relevant and irrelevant revenues and costs. Make sure you understand this.

In **Pricing**, you need to be familiar with the different methods and ways of determining the price of a unit.

Cost-Volume-Profit (CVP) Analysis and **Breakeven Analysis** involve determining the breakeven volume and breakeven revenue, given certain parameters. There could be a single product, or there could be multiple products. Breakeven analysis also includes calculation of the volume necessary to achieve a given amount of profit. The High-Low Points method of separating fixed from variable expenses is also explained.

Risk Management involves assessing risk and the potential losses associated with it and doing something to mitigate, or reduce, it. This topic discusses ways of accomplishing that.

ExamSuccess

The ExamSuccess topics in Section C, Decision Analysis and Risk Management, are:

- Marginal Analysis
- Pricing and Pricing Strategy
- Cost-Volume-Profit (CVP) Analysis
- High-Low Points Method
- Risk Assessment

Essay Practice Questions

After you have finished reading and studying Section C, complete Practice Question #3 – Pricing, Practice Question #4 – Future Value and Risk Management, and Practice Question #5 – Cost-Volume-Profit Analysis.



2010 CMA Part 2 Study Plan

Unit 4: 2 Weeks

Section D – Investment Decisions

This section includes capital budgeting, but it also includes the topic of valuation, both in the context of valuing a stock and in the context of valuing a business as a potential acquisition.

In capital budgeting, it is absolutely critical that you know how to calculate the cash flows in each of the different stages of a project. This includes the initial investment (which may also include working capital and the sale of the old equipment), the ongoing annual cash flows during the life of the project and the cash flows when the project is completed and the equipment sold (this stage may also include working capital). The main annual cash flow that you will need to spend time on is the tax depreciation shield. Despite the fact that depreciation itself is not a cash flow, it does have an effect on cash flow because it is a tax deductible expense that reduces taxable income and thus reduces taxes. This reduction of taxes creates in essence a cash inflow through the reduced taxes paid.

The topic of relevant cash flows, covered in the last section on Decision Analysis, is important in this section, too. You will need to be able to recognize what cash flows are relevant to a particular capital budgeting analysis and what cash flows are not relevant.

Discounted cash flow methods, including Net Present Value (NPV), Internal Rate of Return (IRR), and Profitability Index (PI) are important and you need to be comfortable with calculating them and using them to make decisions about which project(s) to invest in. Other methods such as the Payback Method and its variations and the Accounting Rate of Return may be tested, as well.

ExamSuccess

The ExamSuccess topics in Section D, Investment Decisions, are:

- Capital Budgeting Process
- Capital Budgeting Methods
- Valuation

Essay Practice Questions

After you have finished reading and studying Section D, complete Practice Question #6 – Risk Management and Capital Budgeting, and Practice Question #7 – Capital Budgeting.



2010 CMA Part 2 Study Plan Unit 5: 1 Week Section E – Professional Ethics

Professional Ethics in the CMA Part 2 exam focuses on ethical considerations for the organization as a whole. Ethical considerations could also be integrated with any question on any topic.

ExamSuccess

After completing the reading in the book, open your ExamSuccess study software and answer the questions on Ethical Considerations for the Organization.

Essay Practice Question

After you have finished reading and studying Section E, complete Practice Question #8 – Ethics.



2010 CMA Part 2 Study Plan Unit 6: 3 Weeks Review

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.

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. Use them to drill on any formulas you need to memorize.

During the final week or two before your exam, create several Exam Simulations in ExamSuccess. Each of these Exam Simulations will contain 100 multiple choice 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 3 hours, so set aside a three-hour period when you will not be interrupted for taking each test. You need to become accustomed to sitting for three hours in one place and answering multiple choice questions on the computer. The actual exam will be a four-hour exam and will consist of 100 multiple choice questions and two essay questions.

Note that the multiple choice questions on the real exam will **not** be organized according to section. The questions will be asked on all the topics randomly.

Also, use this as an opportunity to practice your time management skills. The exam simulation works the same way as the Prometric exam will work. You can use the keyboard instead of the mouse to select your answer and move to the next question by hitting the key for the letter that corresponds to your answer choice and then hitting Alt-N to move to the next question. This may save you a few seconds on each question.

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