



Dear CMA Part 1 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 1 Exam within three to four months after you begin studying. Set out below is a 14-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 clear, legible font.

Brian Hock, CMA, CIA

President and CEO

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How to Use the HOCK Study Materials

These study materials have been developed for use as an integrated program. That means they should be used together as a system. The components are:

- 1) Textbook,
- 2) Flash cards,
- 3) ExamSuccess study software with multiple-choice questions and answer explanations,
- 4) Essay questions,
- 5) A mock exam, and
- 6) Optional audio Class Recordings of live classes.

Class Recordings are not included with the Study Materials; the Recordings are an optional, separate purchase. If you have the Class Recordings, you will find assignments for those following the reading assignments. They should be listened to after doing the reading for each topic and before answering the ExamSuccess questions on that topic.

This study plan will guide you by giving you assignments as follows as you progress through the program:

- 1) Reading assignments in your textbook, which include answering the questions in the book,
- 2) Listening assignments for the optional Class Recordings,
- 3) Assignments for multiple-choice questions to be answered in your ExamSuccess software after each reading assignment, and
- 4) Assignments for essay problems to be answered after you have completed each major section.

If you use the study materials together as they were intended, you will significantly increase your chances of passing the exam.

Textbook

Your textbook contains explanations of concepts, examples, and multiple-choice questions within the reading to be answered as you are going through the book. The correct answers to the questions appear at the end of the book, and are also available to download as a separate file for easier reference.

Flash Cards

The flash cards contain abbreviated information from the textbook. How you choose to use them is entirely up to you. They are not included in the assignments. Because they are abbreviated, they cannot replace your textbook, but they are something you might use, for example, to drill on formulas you need to memorize or to carry with you to review quickly.

ExamSuccess

After completing the reading and the questions in the book for each topic, 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: The menus under each heading in the ExamSuccess menu expand to reveal the subtopics under them when you click on the "plus sign" in the box (in Windows) or the "triangle" (on a Mac) next to each heading name.

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 graded 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. Keep doing that until you are scoring in at least the high 80s.

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.

Practice Essay Questions and Supplemental Essay Problems

Practice Essay Questions and Supplemental Essay Problems are provided to help you become comfortable with the format of essay questions and with answering them onscreen. The problems are not in ExamSuccess. They are posted on your My Studies download page, separate from the textbook.

These problems are not intended to be used to learn the exam concepts for the essay portion of the exam, although they may point out weak areas where you need further review. The essay questions you will receive on your exam will be different questions from these and probably will cover completely different topics. Use of your textbook and your ExamSuccess software is the best way to learn the concepts. These essay questions will help you learn how to use the concepts to construct a written response answer.

On your My Studies download page, you will see a heading "Practice Essay Questions – Formatted for Screen" in pdf format. The questions are formatted so that you can position the question window on the left half of your computer screen and position a text editor on the right half of your screen and answer the questions onscreen. The question file contains instructions for how to do this. If a spreadsheet is more appropriate, position the question on the top half of the screen and the spreadsheet on the bottom half. The file contains a group of numbered essay questions, and the appropriate questions to answer will be assigned by number as you complete each section. The answers are in a separate downloadable document.

You will also find a link on your My Studies Download page to a group of Supplemental Problems, organized according to section. The Supplemental Essay Problems have not been formatted for reading onscreen as the Practice Essay Questions have. However, you can print out the problems and then compose your answers onscreen in either a word processor or a text document.

The ICMA has announced that a spreadsheet program is available for the essay portion of the exams on certain questions, beginning in the May/June 2011 testing window. To develop your familiarity with the spreadsheet and the way to use it, we recommend that you answer all practice essay and supplemental essay problems that require a spreadsheet using the Prometric spreadsheet demo at <http://www.prometric.com/ICMA/Demo.htm>

Mock Exam

The mock exam contains new questions not used elsewhere in the study materials. It provides a measure for your exam readiness and is a solid last review before taking the real exam.

The mock exam is a pencil and paper exam, and it contains 100 multiple-choice questions and two essay questions, just as the real exam does. You should set aside four hours to take it. Answer explanations are provided in a separate document. The mock exam is not downloaded. To receive it, send an email to cma@hockinternational.com, and the exam and the answers will be sent to you as attachments to an email.

Section A Overview

Section A, *Planning, Budgeting and Forecasting*, constitutes 30% of the exam. It contains eight major topics:

- 1) Planning and Budgeting Concepts
- 2) Budget Methodologies, Other Types of Budgets
- 3) Forecasting Techniques
- 4) Learning Curves
- 5) Probability
- 6) Risk, Uncertainty and Expected Value
- 7) Sensitivity Analysis
- 8) Top-Level Planning and Analysis

Planning and Budgeting Concepts

This is a conceptual and theoretical discussion of planning and budgeting. You will need to know the terms, ideas and order that the budgets are prepared in, as well as the uses for the different types of budgets (strategic budgets, capital budgets, etc.).

- Textbook:** Read from the beginning of the book through the end of the subtopic, *Demand Denominator-Level Concepts* and answer the questions in the book (answer explanations are at the end of the volume).
- Class Recordings:** The Class Recording files 00 – *Part 1 Introduction* through 04 – *Budgeting Part 2* from the Section A Class Recordings should be listened to after reading the *Introduction to Section A, Planning, Budgeting and Forecasting* through the subtopic *Demand Denominator-Level Concepts* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Planning and Budgeting Concepts*.

Budget Methodologies, Other Types of Budgets

This part of Section A is numerical. You will need to be able to calculate how many units must be purchased or produced during a period and what the flexible budget would have been, given a master budget and a certain level of activity (either sales or production). In this type of flexible budget question, you will need to remember that the total budgeted fixed costs can be calculated by multiplying the budgeted level of activity by the budgeted fixed cost per unit. Total fixed costs do not change within the relevant range and the question will be within that range unless the question tells you differently. You also need to be able to calculate the amount of cash collected or paid during a period.

- Textbook:** Read the topics of *Budget Methodologies* and *Other Types of Budgets* through the end of the subtopic *Budget Reports*. Answer the questions in the book as you are going through the reading and also the *Budgeting Questions* that follow the reading (about 19 questions).
- Class Recordings:** The Class Recording files *05 – Preparing the Budgets* through *07 – Budgeting Questions* from the Section A Class Recordings should be listened to after reading *Budget Methodologies* through *Budgeting Questions* (including Cash Flow Questions) in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Budget Methodologies*.

Forecasting Techniques

This topic covers forecasting techniques that can be used to develop budgeted amounts that are based on premises, or assumptions, about the outlook for the environment in which the company's business operates.

- Textbook:** Read the topic of *Forecasting Techniques* through *Benefits and Limitations of Regression Analysis*. Answer the questions in the book as you are going through the reading and also the questions that follow the reading.
- Class Recordings:** The Class Recording files *08 – Forecasting* through *10 – Causal Forecasting* from the Section A Class Recordings should be listened to after reading *Forecasting Techniques* through *Regression Analysis* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Forecasting Techniques*.

Learning Curves

Learning curves describe the fact that the more experience people have with something, the more efficient they become in doing that task and the less time it requires. Learning curves are used to develop forecasts and also for pricing bids. You will need to know how to calculate the cost of units after learning has taken place and thus the direct labor time required is reduced.

Textbook: Read the major topic of *Learning Curves* through the subtopic *Limitations of Learning Curve Analysis*. Answer the questions in the book as you are going through the reading and also the questions that follow the reading.

Class Recordings: The Class Recording file *11 – Learning Curves* from the Section A Class Recordings should be listened to after reading *Learning Curves* in the book.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Learning Curves*.

Probability

Probability gives us a means of measuring numerically how likely it is that an event will occur. Probability is used in forecasting and budgeting to create an expected value for an element that needs to be forecasted, such as future cash flows. The expected value is used in the budget. The concepts of variance and standard deviation are part of the study of probability, as they are a means of measuring the variability that could take place in the value being forecasted.

Textbook: Read the major topic of *Probability* through the subtopic *Normal Probability Distribution*. Answer the questions in the book as you are going through the reading.

Class Recordings: This topic is combined with the next topic, *Risk, Uncertainty and Expected Value*, in the Class Recordings. The relevant recordings are given following the next topic.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Probability*.

Risk, Uncertainty and Expected Value

You will see the concepts of variance and standard deviation in this topic. Both measures tell us something about how much the various statistical values are dispersed about their mean, which gives us an idea of the volatility of whatever we are attempting to forecast. This topic also deals with methods to obtain a recommended decision alternative or an optimal strategy for the purpose of planning and budgeting.

- Textbook:** Read the major topic of *Risk, Uncertainty and Expected Value* through the subtopic *Summary of Probability and Expected Value*. Answer the questions in the book as you are going through the reading, including the questions that follow the reading.
- Class Recordings:** The Class Recording files *12 – Probability* and *13 – Probability Questions* from the Section A Class Recordings should be listened to after reading the topics of *Probability* through and including *Risk, Uncertainty and Expected Value* in the book. (Although the recordings are titled “*Probability*,” the topic of *Risk, Uncertainty and Expected Value* is covered also in the recordings.)
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Risk, Uncertainty and Expected Value*.

Sensitivity Analysis

This is a very small topic, and it is necessary to understand it only from a conceptual standpoint. Sensitivity analysis involves selecting different values for the various probabilities and payoffs in a model, and changing them one at a time to determine whether the recommended decision alternative changes as a result, and by how much.

- Textbook:** Read the major topic of *Sensitivity Analysis*. Answer the questions in the book as you are going through the reading, including the questions that follow the reading.
- Class Recordings:** The Class Recording file *14 – Sensitivity Analysis* from the Section A Class Recordings should be listened to after reading the topic of *Sensitivity Analysis* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Sensitivity Analysis*.

Top-Level Planning and Analysis

This section discusses how to make use of the planning and forecasting techniques that preceded it to develop pro forma financial statements for use in planning and decision-making. Top-level planning makes extensive use of pro forma financial statements, and this topic discusses and illustrates how to construct them and how to analyze them for the purpose of making decisions.

- Textbook:** Read the major topic of *Top-Level Planning and Analysis* through the end of Section A. There are no questions in this topic in the book, but there are several lengthy numerical examples. You should recalculate the numbers in the examples to make sure you understand where they came from.
- Class Recordings:** The Class Recording file *15 – Top Level Planning* from the Section A Class Recordings should be listened to after reading the topic of *Top-Level Planning and Analysis* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section A, Planning, Budgeting and Forecasting – Top-Level Planning and Analysis*.

Practice Essay Questions and Supplemental Essay Problems

On your My Studies download page, you will see a heading “Practice Essay Questions – Formatted for Screen.” Download the pdf file containing the questions and follow the instructions for use on the first page. The answers are in a separate pdf file for you to download and check your answers after you have answered the questions. Answer *Practice Question #1, Matchpoint Racquet Club*. This question will be more easily done using a spreadsheet.

You will also see a link on your My Studies Download page to a group of Supplemental Problems, organized according to section. The Section A problems are relevant to this section, and you should answer a few of those. Each problem, followed by the answer, is in a separate document file in pdf format. The Supplemental Essay Problems have not been formatted to make them easy to read onscreen, as the Practice Essay Questions have. We recommend that you print out each problem as you are ready to work on it and then compose your answers to it onscreen in either a word processor or a text document.

The Practice Question and many of the Supplemental Problems for Section A have at least some portions that can be done more easily with a spreadsheet. We recommend that you answer all Practice Essay and Supplemental Problems that require a spreadsheet using the Prometric spreadsheet demo. The demo is available at:

<http://www.prometric.com/ICMA/Demo.htm>

Review of Section A

If you have had particular difficulty with a topic or more than one topic in this section, review that topic by creating a Study Session in ExamSuccess consisting of questions from just that topic or those topics.

In addition to doing that, you should review specifically all the topics in Section A by creating at least one Study Session consisting of 50 questions from the entire group of *Section A – Planning, Budgeting and Forecasting* questions.

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 must be paid before you register for your first exam. The certification fee is valid for three years. If you have not passed both exams within three years of paying the fee, you will have to 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.

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 **any time within the two-month testing window that you select when you register**. The testing windows are January-February, May-June, and September-October.

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, so you should register about 2 months before you plan to take the exam. However, do not register too soon, or you may find yourself appearing for the exam before you are prepared for it.

We recommend that you study Section C before attempting Section B. We have organized the book and other study materials the way the ICMA's Content Specification Outline and Learning Outcome Statements are organized. But we recognize that the material covered in Section B will be much easier for you if you have first learned some of the concepts covered in Section C.

Section C Overview

Section C, *Cost Management*, is 25% of the exam and has eleven groupings of topics. How much time you spend on each topic depends on your background and experience. However, you should try to complete Section C in 3 weeks.

- 1) Classifications of Costs
- 2) Variable and Absorption Costing
- 3) Joint Products and By-Products
- 4) Process Costing
- 5) Overhead Allocation
- 6) Activity Based Costing
- 7) Job Order Costing and Life-Cycle Costing
- 8) Service Cost Allocation
- 9) Estimating Fixed Costs
- 10) Operational Efficiency
- 11) Business Process Performance

Classifications of Costs

The topic of the different types of costs (especially fixed and variable) is one that will continue through some of the other topics in this Section and Exam. You need to be comfortable with the way the different costs behave as well as terms such as product cost, period cost, prime cost and conversion cost, and what is included in each of these. There will be word questions about these costs, what they are made up of and how they behave. If you have this knowledge, you will be able to answer these questions easily and quickly.

Textbook: Read from the beginning of Section C through the end of the subtopic, *Cost of Goods Sold (COGS) and Cost of Goods Manufactured (COGM)* and answer the questions in the book.

Class Recordings: The Class Recording files *01 – Section C Intro* and *02 – Cost Classification* from the Section C Class Recordings should be listened to after reading *Classifications of Costs* through and including *Cost of Goods Sold (COGS) and Cost of Goods Manufactured (COGM)* in the book.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Classifications of Costs*.

Variable and Absorption Costing

Though this topic does not take up a lot of pages in the material, it is an important one. It includes two ways of presenting an income statement, but they differ in only one area. Under variable costing, the fixed manufacturing overheads are expensed in the period that they are incurred. Under absorption costing, these same costs are allocated to the units that are produced during the period. These two methods give different levels of net income when inventory changes during the period.

If the inventory levels increase during the period, the absorption method will give a higher income because some of the period's fixed manufacturing overheads are on the balance sheet in inventory. If the inventory level falls during the period, the variable method gives a higher net income because under the variable method, only fixed factory overheads incurred during the year are included as an expense in the period. In contrast, under the absorption method, some of the fixed factory overhead costs that had been inventoried in previous years will now be expensed in the current period; and this amount will be greater than the fixed factory overheads that will be on the balance sheet as inventory at year-end, since the inventory level has dropped during the period.

You will need to remember that this is the only difference and be able to calculate the level of income under both methods. You should also be familiar with the presentation of the income statement under both methods.

Finally, you will need to know that the absorption method is required for external reporting under U.S. GAAP, but the variable method may be used for internal analysis.

- Textbook:** Read *Variable and Absorption Costing* and answer the questions in the book, including the group of questions at the end of the topic.
- Class Recordings:** The Class Recording file *03 – Variable and Absorption Costing* from the Section C Class Recordings should be listened to after reading *Variable and Absorption Costing* and answering the questions in your book on Variable and Absorption Costing.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Variable and Absorption Costing*.

Joint Products and By-Products

These topics are smaller topics but you will need to understand their key elements.

An important concept in this section that gives some people trouble is the ideas of Net Realizable Value and Estimated Net Realizable Value. When the Net Realizable Value method is used to allocate costs between or among joint products, if a product can be sold at the splitoff point, its sales price at the splitoff point is its Net Realizable Value. If a product cannot be sold at the splitoff point, its Estimated Net Realizable Value is calculated based on the product's future sales price minus its separable costs, and that is used as its NRV. In a single cost allocation, you may have some products for which you will use their sales price at splitoff as their NRV and some products for which you will use their Estimated Net Realizable Value as their NRV.

- Textbook:** Read *Joint Products and By-Products* and answer the questions in the book, including the group of questions at the end of the topic.
- Class Recordings:** The Class Recording files *04 – Joint Products and Byproducts* and *05 – Joint and Byproducts Part 2* from the Section C Class Recordings should be listened to after reading *Joint Products and Byproducts* and answering the questions in your book on Joint Products and Byproducts.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Joint Products and By-Products*.

Process Costing

Process costing is a topic that is often troublesome for people. We have tried to remedy this by including in the materials a seven-step process to help you complete a full process-costing question. We also provide two diagrams for the two methods used in process costing (FIFO and the weighted average methods), along with complete examples for both methods.

In process costing, you need to be able to calculate the equivalent units of production (EUPs) for both conversion costs and materials. Even if you can't do anything else in process costing, make sure that you can calculate the equivalent units of production, as this will very likely be tested. You also need to understand the difference between the FIFO and the weighted average methods, remembering that the only difference is in the treatment of beginning WIP.

This section also introduces the concept of spoilage, both normal and abnormal. You must be able to calculate the number of normally spoiled units and the number of abnormally spoiled units. However, if you have trouble with the allocation of costs to the spoiled units, don't be too worried because if this is tested, it will probably be only one, maybe two, questions. In any case, the allocation of costs to the spoiled units is not a heavily or commonly tested item.

Textbook: Read *Process Costing* and answer the questions in the book, including the group of questions at the end of the topic.

Class Recordings: The Class Recording files *06 – Processing Costing Introduction* through *10 – Process Costing Questions* from the Section C Class Recordings should be listened to after reading *Process Costing* and answering the questions in your book on Process Costing.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Process Costing*.

Overhead Allocation

For the topic of overhead allocation, you will need to make certain that you understand the method of setting standard costs and the allocation of the overheads to the individual units. Also, spend some time ensuring that you can quickly identify the over- or under-applied overhead for the company and the treatment for this amount.

Textbook: Read *Overhead Allocation* and answer the questions at the end of the topic.

Class Recordings: The Class Recording files *11 – Overhead Allocation* through *13 – Overhead Questions* from the Section C Class Recordings should be listened to after reading *Overhead Allocation through the Comprehensive Example of Accounting for Fixed Overhead and FOH Variances* and answering the questions in your book that follow that example.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Overhead Allocation*.

Activity Based Costing

Activity Based Costing (ABC) is a subject that in reality can take a long time to discuss and implement. However, on the exam, ABC is tested in a slightly smaller scope. A numerical ABC question will possibly require you to compare ABC to the traditional method of overhead allocation. You will be given instructions about how to allocate under the traditional method, and the ABC method is nothing more than applying the traditional method three or four times to the same data. You will also need to be certain to understand the idea behind ABC, the related terminology and the benefits.

- Textbook:** Read *Activity-Based Costing* and answer the questions in the book, including those at the end of the topic.
- Class Recordings:** The Class Recording files *14 – ABC* and *15 – ABC Questions* from the Section C Class Recordings should be listened to after reading *Activity-Based Costing* and answering the questions in your book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Activity-Based Costing*.

Job Order Costing and Life-Cycle Costing

Job order costing is used when there are specific and identifiable jobs or projects that are worked on during the period. In life-cycle costing, the company attempts to allocate to each product all of the research and development, marketing, development, after-sale service costs and any other cost that is associated with this product during its life cycle.

- Textbook:** Read *Job-Order Costing, Life Cycle Costing and Customer Life Cycle Costing* and answer the question in the book.
- Class Recordings:** The Class Recording files *16 – Job Order Costing* and *17 – Life Cycle Costing* from the Section C Class Recordings should be listened to after reading *Job Order Costing and Life Cycle Costing* in your book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Job-Order and Life-Cycle Costing*.

Service Cost Allocation

Service department cost allocation is a largely mathematical process and you will need to be able to make the allocations under all three methods, and also understand how these methods treat the costs of services provided to other service departments.

Textbook: Read *Service Cost Allocation* and answer the questions that follow it in the book.

Class Recordings: The Class Recording files *18 – Service Cost Allocation Part 1* and *19 – Service Cost Allocation Part 2* from the Section C Class Recordings should be listened to after reading *Service Cost Allocation* and answering the questions in your book that follow that topic.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Service Cost Allocation*.

Estimating Fixed Costs

Sometimes costs are mixed costs or the fixed costs are not segregated from the variable costs in the historical information available. For forecasting purposes, it is necessary to be able to separate costs into their fixed and variable components. This topic discusses two ways of doing that: the High-Low Points Method and Regression Analysis.

Textbook: Read *Estimating Fixed Costs* in the book.

Class Recordings: There are no Class Recordings for the topic of *Estimating Fixed Costs*.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of the questions available for *Section C, Cost Management – Estimating Fixed Costs*.

Operational Efficiency

Manufacturing systems such as Just-in-Time (JIT) inventory management, kanban, MRP (materials requirements or material resource planning), and TOC (theory of constraints) are covered, along with discussions on outsourcing and capacity level and management decisions.

Textbook: Read *Operational Efficiency* and answer the questions in the book.

Class Recordings: The Class Recording files *20 – JIT Inventory* through *23 – Theory of Constraints* should be listened to after reading the *Operational Efficiency* topics through *Capacity Level and its Effect on Financial Statements* and the comprehensive example that follows that topic, and answering the problems throughout that portion of the book.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Operational Efficiency*.

Business Process Performance

In this topic we cover the concepts of the value chain and value chain analysis, business process reengineering, benchmarking, activity based management, kaizen, and quality and the costs of quality.

Textbook: Read *Business Process Performance* and answer the questions in the reading and following it in the book.

Class Recordings: The Class Recording files *24 – The Value Chain* through *26 – Quality* from the Section C Class Recordings should be listened to after reading the *Business Process Performance* topics through the end of Section C, including answering the questions throughout that portion of the book and following it.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section C, Cost Management – Business Process Performance*.

Practice Essay Questions

After you have completed Section C, open the Practice Essay Questions posted in My Studies on the HOCK website. Answer *Practice Question #2, Truejeans; Practice Question #3, Sonimad Sawmill; and Practice Question #4, Alyssa Manufacturing*. *Sonimad Sawmill* and *Alyssa Manufacturing* will be more easily done on a spreadsheet.

You will also find a group of Supplemental Problems on your My Studies download page, organized according to section. The Section C problems are relevant to this section. Many of the Supplemental Problems for Section C have at least some portions that can be done more easily with a spreadsheet.

We recommend that you answer all Practice Essay and Supplemental Problems that require a spreadsheet using the Prometric spreadsheet demo. The demo is available at:

<http://www.prometric.com/ICMA/Demo.htm>

Review of Section C

If you have had particular difficulty with a topic or more than one topic in this section, review that topic by creating a Study Session in ExamSuccess consisting of questions from just that topic or those topics.

We recommend that you periodically review all of the topics you have studied to date by creating a Study Session in ExamSuccess consisting of some questions from all of the topics you have studied. In addition to doing that, you should review specifically the topics in Section C by creating at least one Study Session consisting of 50 questions from the entire group of *Section C, Cost Management* questions.

Section B Overview

We recommend that you study Section C before attempting Section B. If you have completed Section C, now go back to Section B, *Performance Management*. This section represents 25% of the exam and has three main topics:

- 1) Variance Analysis,
- 2) Responsibility Centers and Reporting Segments, and
- 3) Performance Measurement.

Variance Analysis

Variance analysis is a section that causes trouble for many people, especially those who have not studied it previously. Though this is a topic that seems to have a lot of formulas at first glance, it is really not that bad. The formulas are mostly just variations on two formulas that are used for the different variances. You will need to be certain that you can calculate the numerical formulas and that you also know what the variances mean, how they are used and what can cause the variances. The word questions on this topic should be easy, but only if you understand what the variance is really telling you.

The subtopics in the Variance Analysis portion of Section B are:

- 1) Introduction to Variance Analysis and Standard Costs
- 2) Variance Analysis Concepts
- 3) Manufacturing Input Variances – Materials and Labor
- 4) Manufacturing Input Variances – Factory Overhead
- 5) Sales and Market Variances and Variance Analysis for a Service Company
- 6) Responsibility Centers and Reporting Segments

Introduction to Variance Analysis and Standard Costs

You will need to understand the concept of standard costs and their use in controlling production.

Textbook: Read *Section B, Performance Management Introduction*, and *Introduction to Variance Analysis and Standard Costs through Management by Exception* and answer the questions following the reading in the book.

Class Recordings: The Class Recording files *01 – Section B Introduction* and *02 – Variance Analysis Introduction* from the Section B Class Recordings should be listened to after reading the *Performance Management Introduction* and *Introduction to Variance Analysis and Standard Costs through Management by Exception* and answering the questions following the reading.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Introduction to Variance Analysis and Standard Costs*.

Variance Analysis Concepts

This will introduce you further to variance analysis concepts. This topic goes into flexible budget variances versus static budget variances. You need to know that the sales volume variance is the difference between the flexible budget amount and the static budget amount on an income statement variance report that presents sales variances.

As you are reading this topic and the topics that follow it, recognize that manufacturing input and factory overhead variances are very different from sales variances. Manufacturing input and factory overhead variances deal with production and the cost of **units produced**. Sales variances deal with revenues for **units sold** and cost of sales for **units sold**. The variances based on units produced are not expected to reconcile with variances based on units sold, because the units produced and the units sold will almost never be the same units. If you keep this basic difference in mind, it should help clarify the topics for you.

- Textbook:** Read the topic *Variance Analysis Concepts* through and including *Types of Variances* where the various types of variances are just listed. Stop before beginning *Manufacturing Input Variances*.
- Class Recordings:** The Class Recording file *03 – Variance Analysis* from the Section B Class Recordings should be listened to after reading *Variance Analysis Concepts* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Variance Analysis Concepts*.

Manufacturing Input Variances – Materials and Labor

Manufacturing input variances are concerned with inputs to the manufacturing process – direct materials and direct labor – and whether the amount of inputs used per unit manufactured was over or under the standard for the actual level of production, whether the cost per unit of input used was more or less per unit than the standard, and what the cost impact was of each type of variance. Manufacturing input variances are used in controlling production. You will need to memorize the two basic variance formulas, the **price variance** formula and the **quantity variance** formula and know when and how to use them.

- Textbook:** Read beginning with the topic *Manufacturing Input Variances* through and including *More Than One Material Input or One Labor Class* and answer the questions in the reading and following the reading.
- Class Recordings:** The Class Recording files *04 – Direct Materials Variance through 08 – More Than One Input* from the Section B Class Recordings should be listened to after reading *Direct Materials Variances, Direct Labor Variances, and More Than One Material Input or One Labor Class* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Manufacturing Input Variances–Materials and Labor*.

Manufacturing Input Variances – Factory Overhead

The topic of overhead variances appears much more complicated than it is. In order to understand overhead variances, it helps to have a good understanding of how overhead is accounted for and how it is allocated to units produced. That is covered in Section C, *Cost Management*, in your book. If you are progressing through this study program in the recommended manner, you will have studied Section C before studying this section. You might find it helpful to reread the topic of "Overhead Allocation" in Section C before moving into the topic of overhead variances. An understanding of how factory overhead is accounted for is essential for understanding overhead variances. You will need to memorize the formulas for these variances and understand how they are combined in the different methods of analysis, such as two-way, three-way and four-way analysis.

- Textbook:** Read beginning with the topic *Factory Overhead Variances* through the *Comprehensive Example of All Manufacturing Variances* and answer the questions in the reading.
- Class Recordings:** The Class Recording files *09 – Overhead Variances* and *10 – Overhead Variances Questions* from the Section B Class Recordings should be listened to after reading *Factory Overhead Variances* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Manufacturing Input Variances–Overhead*.

Sales and Market Variances and Variance Analysis for a Service Company

Sales variances are used to explain the differences between actual and budgeted amounts of revenue, variable costs, and contribution margin caused by differences between actual sales results and planned or budgeted sales results. Sales variances are based on the income statement. They are different from manufacturing input variances because they are related to units **sold**, not units produced. However, the concept is the same. They are calculated with the same price variance and quantity variance formulas as the manufacturing input variances are, except the quantity amounts are actual and planned quantities of units **sold** instead of actual and planned quantities of inputs used in production.

- Textbook:** Read the topics *Sales Variances*, *Market Variances*, and *Variance Analysis for a Service Company* and answer the questions in the reading.
- Class Recordings:** The Class Recording files *11 – Sales Variances Introduction* through *13 – Market Variances* from the Section B Class Recordings should be listened to after reading *Sales Variances*, *Market Variances* and *Variance Analysis for a Service Company* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Sales and Market Variances*.

Responsibility Centers and Reporting Segments

Responsibility accounting includes the different types of centers (cost, revenue, profit and investment) and you will need to know what these are, how they are different from each other and how they are evaluated. This section also discusses the costs that are controllable by a manager and separates them from those that are not. In short, a manager should not be evaluated based on something over which he or she has little, if any, control.

The contribution income statement takes the costs that are incurred and splits them into those costs that are controllable and those that are not. By subtracting the controllable costs (both variable and fixed), we get segment manager performance. The further subtraction of noncontrollable but traceable fixed costs gives us segment margin. You will need to know the different steps in this income statement.

- Textbook:** Read the topic *Responsibility Centers and Reporting Segments* through *Transfer Pricing Measures* and answer the questions in the reading and following it.
- Class Recordings:** The Class Recording files *14 – Responsibility Centers* through *18 – Transfer Pricing Questions* from the Section B Class Recordings should be listened to after reading *Responsibility Centers and Reporting Segments* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Responsibility Centers and Reporting Segments*.

Performance Measurement and Performance Feedback

As part of performance measurement, you will need to be familiar with two calculations: Return On Investment (ROA) and Residual Income (RI). You need to be able to calculate these items and also understand what they indicate and how to use them.

- Textbook:** Read *Performance Measures* beginning with the topic *Strategic Issues in Performance Measurement* and continuing through the end of Section B and answer the questions in the reading.
- Class Recordings:** The Class Recording files *19 – Performance Measures* through *21 – Balanced Scorecard* from the Section B Class Recordings should be listened to after reading *Performance Measures* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section B, Performance Management – Performance Measures*.

Practice Essay Questions

After you have completed Section B, open the Practice Essay Questions posted in My Studies on the HOCK website. Answer *Practice Question #5, WoodCrafts Inc.*; and *Practice Question #6, Lawton Industries*. You will need a spreadsheet for the *WoodCrafts Inc.* problem, and you may want to use it for the *Lawton Industries* problem.

You will also find a group of Supplemental Problems on your My Studies download page, organized according to section. The Section B problems are relevant to this section. Many of the Supplemental Problems for Section B have at least some portions that can be done more easily with a spreadsheet.

We recommend that you answer all Practice Essay and Supplemental Problems that require a spreadsheet using the Prometric spreadsheet demo. The demo is available at:

<http://www.prometric.com/ICMA/Demo.htm>

Review of Section B

If you have had particular difficulty with a topic or more than one topic in this section, review that topic by creating a Study Session in ExamSuccess consisting of questions from just that topic or those topics.

We recommend that you periodically review all of the topics you have studied to date by creating a Study Session in ExamSuccess consisting of some questions from all of the topics you have studied. In addition to doing that, you should review specifically the topics in Section B by creating at least one Study Session consisting of 50 questions from the entire group of *Section B, Performance Management* questions.

Section D Overview

Section D, Internal Controls is not a numerical section. Rather, this is a theoretical section that relates to internal controls and internal audit. This section is 15% of the exam.

This section has three main topics:

- 1) Risk Assessment, Controls and Risk Management;
- 2) Internal Auditing; and
- 3) Systems Controls and Security Measures.

Risk Assessment, Controls and Risk Management

This section covers the basics of internal control as set forth in the COSO document, *Internal Control – Integrated Framework*. Corporate governance is discussed as well as legislative initiatives that impact companies' internal control processes. In particular, the PCAOB's Auditing Standard No. 5 for auditing internal controls and the guidance for management contained in SEC Release 33-8810 are discussed in depth.

In this part, you need to make certain that you understand the concept of the segregation of duties. You will probably need to know it from both a theoretical standpoint as well as in application. The application questions are difficult to prepare for because there are so many possible situations that can be created. If you get a question that asks who should not do what two jobs or something similar, make a best assessment of the question, answer it and move on. If you think additional time considering it would be useful, you can mark the answer and come back to it later, but do not spend a great deal of time on this type of question.

- Textbook:** In *Risk Assessment, Controls and Risk Management*, read beginning with *Internal Control Definition and Objectives* and continuing through *What Internal Control Can and Cannot Do* and answer the questions in the reading.
- Class Recordings:** The Class Recording files *01 – IC Intro and Components* through *05 – Sarbanes-Oxley* from the Section D Class Recordings should be listened to after reading *Risk Assessment, Controls and Risk Management* in the book.
- ExamSuccess:** Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section D, Internal Controls – Risk Assessment, Controls and Risk Management*.

Internal Auditing

The functions of the internal audit activity are discussed. In the internal audit topic, you need to be familiar with the general concepts and ideas that are central to internal audit. This includes the type of work that is performed by internal auditors as well as their place in the organization.

Textbook: In *Internal Auditing*, read beginning with *Definition of Internal Auditing* and continuing through *Computerized Audit Techniques* and answer the questions in the reading.

Class Recordings: The Class Recording files *06 – Internal Audit* through *14 – Audit Reports* from the Section D Class Recordings should be listened to after reading *Internal Auditing* in the book.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section D, Internal Controls – Internal Auditing*.

Systems Control and Security Measures

This section covers internal control issues related to computer systems. Computer processing of data presents unique control challenges. This section discusses those challenges and means of addressing them. Internet security and contingency planning are also included in this topic. You need to be familiar with the specific terminology and issues of information systems.

Textbook: In *Systems Control and Security Measures*, read beginning with *Introduction to Systems Controls* and continuing through *Disaster Recovery* and answer the questions in the reading.

Class Recordings: There are no Class Recordings for this topic.

ExamSuccess: After reading this part of the textbook, Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section D, Internal Controls – Systems Control and Security Measures*.

Practice Essay Questions

After you have completed Section D, open the Practice Essay Questions posted in My Studies on the HOCK website. Answer *Practice Question #7, Brawn Technology*; *Practice Question #8, Standard Lock Inc.*; and *Practice Question #9, Med Direct*.

You will also find a group of Supplemental Problems on your My Studies download page, organized according to section. There is a link there for Section D. Two of the three supplemental problems under Section D relate to internal control specifically: *Internal Controls – Quadrant and Internal Controls – Adart*. The other problem, *IC and Ethics – LEA*, contains ethics information from Section E, so you should wait to do that problem until you have completed Section E.

Review of Section D

If you have had particular difficulty with a topic or more than one topic in this section, review that topic by creating a Study Session in ExamSuccess consisting of questions from just that topic or those topics.

We recommend that you periodically review all of the topics you have studied to date by creating a Study Session in ExamSuccess consisting of some questions from all of the topics you have studied. In addition to doing that, you should review specifically the topics in Section D by creating at least one Study Session consisting of 50 questions from the entire group of *Section D – Internal Controls* questions.

Section E Overview

Ethics is 5% of the exam. In the Professional Ethics section, you will find the IMA's *Statement of Ethical Professional Practice* in its entirety. You will need to know this statement well enough to be able to quote the relevant portion(s) of it and apply it/them to the situation presented by giving the specifics of actions to be taken. This will need to be very explicit; ethics is not a topic that you can bluff your way through. And paraphrasing a principle or standard is not adequate. You should have the principles and standards **memorized**. Ethical considerations could be integrated with any question on any topic or they could be in a question that stands on its own.

Textbook: Read all of *Section E, Professional Ethics*.

Class Recordings: The Class Recording file *01 – Ethics* from the Section E Class Recordings should be listened to after reading *Section E, Professional Ethics* in the book.

ExamSuccess: Create and complete a Study Session in ExamSuccess consisting of all the questions available for *Section E, Ethics – Ethical Considerations for the Individual*.

Practice Essay Questions

After you have completed Section E, open the Practice Essay Questions posted in My Studies on the HOCK website. Answer *Practice Question #10, Carroll Mining and Manufacturing; Practice Question #11, Quality Productions Inc.; Practice Question #12, Pro-Kleen; Practice Question #13, United Forest Products; Practice Question #14, SieCo; Practice Question #15, GRQ Company; and Practice Question #16, CenturySound, Inc.* This will seem like a lot of essay problems, but the chances are much greater that your exam will test Ethics in the essay portion than that it will test Ethics in the multiple-choice portion. Therefore, we recommend you practice Ethics essay questions as much as possible. Note that you need to have the IMA's *Statement of Ethical Professional Practice* **memorized** in order to answer essay questions about Ethics, because you will need to be able to quote the Statement.

You will also find a group of Supplemental Problems on your My Studies download page, organized according to section. There is a link there for Section E with two questions. In addition, the link to Section D contains one question that pertains to both Section D and Section E: *IC and Ethics – LEA*. That question can now be answered.

Review of Section E

To review Section E, work on memorizing the IMA's *Statement of Ethical Professional Practice*.

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 the flash cards up to this point, now is a good time to use them. The flash cards do not cover every little detail in the materials, but they do address the main topics, definitions and formulas that are most likely to be tested. Get out the flash cards whenever you can, even if it is only for a few minutes. Use them to drill on any formulas you need to memorize.

After you have completed your review, you will be prepared to take the Part 1 Mock Exam. Please send an email to **cma@hockinternational.com** requesting the mock exam, as well as which exam part you would like to receive. The exam will be sent to you by e-mail along with a separate document containing the answers. Set aside 4 hours to complete the exam without interruption. You need to become accustomed to sitting for 4 hours in one place. When you have completed the Mock Exam and graded it, use it as a study tool. Look up in your book the topics on which you missed questions, then try answering those questions again.

During the final week or two before your exam, create several Exam Simulations in Exam-Success, too. 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 distribution of the questions on the multiple-choice portion of 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 (since this is only the multiple-choice questions), so set aside a three-hour period when you will not be interrupted for taking each test. This will help you get accustomed to answering questions on the computer under pressure of time. 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.

On your study materials page in My Studies on the HOCK website, you will find three additional documents that will be helpful to you in your final preparations. They are:

- **Sample Grading**, an example of how one of the Practice Essay Questions, a former exam question, was graded by the ICMA. This was supplied by the ICMA and will help you to understand what will be expected.
- **Test-Taking Strategies** prepared by the ICMA.
- **Exam Tips** prepared by HOCK.

We recommend you download these and review them now, if you have not already done so.

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