



Dear CMA Part 3 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."

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 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.

For those of you without a background or education in accounting and finance, you will probably need to expand this schedule. However if you have worked in accounting or finance, you may be able to shorten the schedule.

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.

Finally, your preparation for the comprehensive CMA Part 4 exam will be easier if you have good notes to review. So if you are a person who likes to take notes as you are studying, keep the Part 4 exam in mind and take good notes that you will be able to use later for review.

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, slightly slanted style.

Brian Hock, CMA, CIA  
President and CEO

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## CMA Part 3 Study Plan

### Unit 1: 1 Week

### Section A – Strategic Planning

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Section A contains quite a bit of qualitative information, which includes different experts' ideas and theories about how planning should be accomplished. You will need to know the terms and be familiar with the process of strategic planning. There is also some quantitative material, such as calculating materials requirements for a production run. Calculating materials requirements can be challenging, but it will be well worth your while to take the time to learn how to do it.

You should also be familiar with the various manufacturing concepts introduced in this section such as Just-In-Time (JIT) inventory systems, Theory of Constraints, the Value Chain, Total Quality Management (TQM), Benchmarking, Business Process Reengineering and *kaizen*.

Some of the information in this section also sets the stage for Capital Budgeting which you will encounter in Section E, so it will help you when you reach that section.

#### **ExamSuccess**

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

#### **Class Recordings**

The *Section A* Class Recordings follow the textbook.



## CMA Part 3 Study Plan Unit 1: 1 Week Section A – Strategic Planning

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**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 four years. If you have not passed all four exams within four years of paying the fee, you must 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 a little more time to complete all 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](mailto: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 authorization window. Registrations for Part 3 received on or after February 16th, June 16th, or October 16th will be registered for the following testing window.

The ICMA recommends that you schedule your exam appointment at least 4 weeks before your desired date to insure your first choice of date, time, and location.

Because you will need 1-2 weeks for your registration to be processed and then 4 weeks to schedule your exam appointment, you should register 5-6 weeks before you expect to take the exam. If you register during a testing window for that testing window, even though before the cutoff date, you may not be able to schedule your exam appointment before the end of the window. Therefore, we recommend that you register before the testing window begins. However, do not register too soon, or you may find yourself appearing for the exam before you are prepared for it.



## CMA Part 3 Study Plan Unit 2: 1 Week Section B – Strategic Marketing

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The Strategic Marketing section of the exam, like Strategic Planning, is extremely qualitative. Many accounting and financial people will find this section difficult. Even though the ICMA's published guidelines state that this material is tested only at the level of knowledge and comprehension (which should mean that application of the concepts is not required), we have received some reports from exam takers that application-type questions were asked.

Try to gain as much familiarity with the concepts as you can from the reading and working the problems. Know what SWOT stands for. As with strategic planning, know the terms and the marketing management process. As you are reading, try to think about how you would determine who your target audience is for your product and what would be the best way to reach that target audience with a message designed to cause them to want to buy your product.

Marketing entails distribution decisions as well as promotion activities, so understand the different distribution channels, as well.

### **ExamSuccess**

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

### **Class Recordings**

The *Section B* Class Recordings follow the textbook.



## CMA Part 3 Study Plan Unit 3: 1 Week Section C – Corporate Finance

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### **Working Capital Management**

Short-term liquidity and working capital analysis are covered in this section. There are two different ways that you need to understand Working Capital, which are: 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.

#### **ExamSuccess**

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in the *Working Capital & Short-Term Financing* subcategory. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

#### **Class Recordings**

The *Section C – Working Capital* Class Recordings follow the textbook.



## CMA Part 3 Study Plan Unit 4: 1 Week Section C – Corporate Finance

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### **Sources of Long-Term Financing and Cost of Capital**

After having looked at working capital and the short-term financing issues for the company, we will now look at the different sources of long-term financing for the company. This discussion focuses on debt and equity. 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 exam also covers the calculations of the costs 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.

#### **ExamSuccess**

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in the *Long-Term Financing* subcategory. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

#### **Class Recordings**

The *Section C – Long-Term Financing* Class Recordings follow the textbook.



## CMA Part 3 Study Plan Unit 5: 2 Weeks Section C – Corporate Finance

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### **Investment Risk and Return, Risk Management and Leverage**

This part of the materials includes a discussion of investment risk and return. You will need to understand concepts such as how investment risk and return for an individual security are measured using expected return, standard deviation, and the coefficient of variation. The use of the Capital Asset Pricing Model and Arbitrage Pricing Theory in determining the expected risk premium for an investment is important, as well. These concepts, along with the correlation coefficient, are then applied to investment portfolio theory and used in calculating portfolio risk and expected return.

The use of derivatives to manage equity risk, commodity risk, foreign exchange risk and interest rate risk is covered in this section. Derivatives to be familiar with are futures and forward contracts, both commodity and financial, interest rate swaps, and the options markets. This section also requires an understanding of how derivatives markets and exchanges work and how hedging strategies work.

Leverage is not a topic that is specifically covered on the LOS, but it is covered briefly here because a number of HOCK participants have told us that there were leverage questions on the exam.

#### **ExamSuccess**

After completing the reading, create and complete a Study Session in ExamSuccess consisting of all of the questions in the *Risk & Return in Investments* subcategory. Re-study all questions missed by creating a new Study Session from all incorrectly answered questions.

#### **Class Recordings**

The *Section C – Risk and Risk Management* Class Recordings follow the textbook.



**CMA Part 3 Study Plan**  
**Unit 6: 1 Week**  
**Section D – Decision Theory and Analysis**

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**Decision-Making and Marginal Analysis Applications**

Section D is an important section on the Part 3 exam, and it is vital that you fully understand the numerical questions related to decision-making. The theoretical information about the decision-making process is something that is more common sense and something that you do not want to spend a great deal of time on. However, the numerical applications in this section are very important.

Make certain that you understand how the company should determine whether to produce or purchase the items it needs and what the minimum selling price is (and how the level of current operations affects this decision), as well as the other applications in the material.

This is a topic that you will become 100% confident about after doing the questions from the past exams. There are a limited number of ways in which these questions can be set up, so once you are familiar with them, the questions on the exam will be much easier.

**ExamSuccess**

Wait until completing the rest of the reading for Section D before using ExamSuccess for this Section.

**Class Recordings**

The files *01 – Section D Introduction* through *08 – Disinvestment Decisions* from the Section D Class Recordings cover these topics.



**CMA Part 3 Study Plan**  
**Unit 7: 1 Week**  
**Section D – Decision Theory and Analysis**

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**Pricing and CVP Analysis**

Of these two topics, CVP Analysis is much more numerical and will require more preparation time on your part. For CVP Analysis, you need to remember that this is the simple application of algebraic formulas. There are complications such as required profits and baskets of goods, but ultimately, it is using a formula to set revenues equal to costs. Make sure that you understand single product breakeven analysis before you try to cover the situations with multiple products. Though it is conceptually the same, multiple products require an additional step to determine the contribution per basket.

For pricing, you need to be familiar with the different methods and ways of determining the price of a unit.

**ExamSuccess**

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

**Class Recordings**

The files *09 – Pricing* through *18 – CVP and Risk and Uncertainty* from the Section D Class Recordings cover these topics.



## CMA Part 3 Study Plan Unit 8: 1 Week Section E – Investment Decision Analysis

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### **Investment Decision Analysis: Relevant Cash Flows and Payback Method**

Along with Section D, it is critical that you understand Section E. This is largely a mathematical and numerical section, though you should expect some word, or theoretical questions.

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 a cash effect because it is tax deductible. The tax deduction related to depreciation reduces the taxes the company has to pay, creating in essence a cash inflow through the reduced taxes paid.

After becoming very familiar and comfortable with the cash flows, we will start by looking at the payback method. This is the first capital budgeting method we will look at because it is in one way the easiest. This is because the payback method does not use the present value of the cash flows. Even though this makes it a little more simple, do not overlook the payback method in your studies.

#### **ExamSuccess**

Wait until completing the rest of the reading for Section E before using ExamSuccess for this Section.

#### **Class Recordings**

The files *01 – Stages in Capital Budgeting* through *04 – Payback Method* from the Section E Class Recordings cover these topics.



## CMA Part 3 Study Plan Unit 9: 1 Week Section E – Investment Decision Analysis

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### **Appendix A: Time Value of Money Concepts**

If you are unsure about time value of money concepts, please review this section before beginning on the discounted cash flow topic.

### **Discounted Cash Flow Capital Budgeting Methods and Accounting Rate of Return**

In the second part of Section E, we look at the discounted cash flow methods. These are the methods that discount the cash flows of the project to their present value in order to do the assessment. The two main methods are the net present value (NPV) method and the internal rate of return (IRR). You must know these two methods and how to work with them. Both of these methods have as their base the cash flows of each period, so you will need to be comfortable with the calculations of the cash flows in order to be able to answer these questions.

In addition to these two methods, you will also need to know the accounting rate of return method.

#### **ExamSuccess**

Wait until completing the rest of the reading for Section E before using ExamSuccess for this Section.

#### **Class Recordings**

The files *05 – Net Present Value* through *07 – Accounting Rate of Return* from the Section E Class Recordings cover these topics.



## CMA Part 3 Study Plan Unit 10: 1 Week Section E – Investment Decision Analysis

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### **Capital Budgeting Decisions and Risk**

All of these methods so far have been screening methods. They are simply determining if an investment is a “profitable” investment and one that should be considered. Now we will turn our attention to making the decision about which project, or projects, to invest in. We will use the Profitability index to determine which investment should be invested in first when there are limited resources.

This section also includes risk and real options. Both of these topics are topics that you need to know more at the general and overview level. It is not expected that the risk questions will be extensive, other than in the area of how they relate to capital budgeting and how risk is addressed in the capital budgeting process. You need to know the different methods that a company can use to include the element of risk in its capital budgeting decisions.

This section concludes with real options. For the exam, you will need to understand real options and be able to value a real option using the Decision Tree method. You should be familiar with the other methods of valuing real options (Monte Carlo Analysis, Black-Scholes Method, Binomial Method), but you will not need to be able to calculate the value of a real option using those other methods.

#### **ExamSuccess**

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

#### **Class Recordings**

Class Recordings for this topic will be posted the next time these topics are covered in the classroom.



## CMA Part 3 Study Plan Unit 11: 3 Weeks Review

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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. For example, you will need to spend significant review time on Sections C, D and E, which together constitute 70% of the exam, and less on Sections A and B, which each constitute 15%. You need to make certain that at this point in your preparation, you are spending time in the most heavily tested topics.

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 110 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 questions on the computer.

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 over the course of a 110-question exam, that could make the difference between completing the exam and not completing it.

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 [cma@hockinternational.com](mailto:cma@hockinternational.com) and ask for the mock exam to be emailed to you. It is a paper and pencil exam containing 110 questions to be completed in 3 hours.