



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 helping thousands of candidates, we know that planning makes this process much easier. Because the exam is available throughout the year and there is no specific 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, you are required to complete the program within 3 years of your entry into the program. If you do not successfully complete the program within 3 years of entering the certification program, any passed part will expire. To continue in the program, you will be required to pay the CMA entrance fee again and retake the expired part.

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 16-week plan, studying 8 to 10 hours per week. This is simply a guide based on the expected amount of study time for a person with some financial background who is familiar with the basic exam concepts. You may be able to complete the preparation in less time, or you may need more time.

This Study Plan is organized in Study Units. Each Study Unit has a recommended study time of one to four weeks. You can personalize this Study Plan by logging in to My Studies. On the Study Plan download page, you will find a link to a page where you can create your own personalized study plan by specifying your start date, what Study Unit in the Study Plan you are beginning with, and your target exam date. You will receive a personalized schedule that will tell you when to begin each Study Unit in this plan, based on the recommended study times, so that you will be prepared to take the exam by your target exam date.

As you go through your schedule, you may find yourself getting ahead or somewhat behind due to changes in your work or personal commitments. Do not be concerned if that occurs. 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. You can revise your dates and update your personalized Study Plan anytime.

While studying, there are sure to be things that are not clear to you and perhaps some that you find incredibly difficult. HOCK provides teacher support for products purchased from us. We will even do our best to help with questions from other course providers that may not appear in HOCK study materials. Please feel free to contact us, and we will help you as much as possible.

Also, keep in mind that you do not need to have 100% knowledge of 100% of the exam content in order to pass. At certain points, you will need to decide whether the extra time spent learning something is worth the extra knowledge gained. When in doubt about what to do, contact us and we will guide you.

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

Sincerely,

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

Brian Hock, CMA, CIA
President and CEO

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How to Use Your HOCK Study Materials

The HOCK study materials for the CMA exams consist of a suite of study materials that has been developed for use as an integrated program. This Study Plan will include references to all of the components, and you can apply it to the components you have.

If you follow this Study Plan, you will significantly increase your chances of passing the exam.

The study materials include the following:

- 1) Textbook.
- 2) Questions, including:
 - ExamSuccess containing over 1,000 multiple-choice questions and answer explanations for each exam part, available for use online, as downloaded software installed on a Windows or Mac computer, or as an app that can be used offline on iPhones, iPads, iPod Touches, and Android phones and tablets.
 - Practice essay questions with detailed answers, many of which also have companion instructional videos.
 - Flash cards.
 - Two mock exams.
- 3) Videos including both streaming instructional videos and downloadable audio mp3 recordings containing the soundtracks from the videos.

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) Assignments for the video/audio recordings.
- 3) Assignments for multiple-choice questions to be answered in ExamSuccess after each reading assignment.
- 4) Assignments for essay problems to be answered after you have completed each major section.

HOCK has also published a *CMA Fundamentals* e-book containing topics that are considered foundational knowledge before beginning to study for the CMA exam, including economics, statistics, and financial accounting. The *CMA Fundamentals* e-book is included with CMA Complete, or it can be purchased separately. This Study Plan does not include any references to or assignments in the *Fundamentals* e-book. Those who have the *Fundamentals* e-book are free to use it in whatever way they need to, for reference or to study.

This Study Plan also does not contain specific assignments for the flash cards. The flash cards can be used for review in whatever way the candidate wishes. They should not be used as a substitute for reading the textbook, however, because they are too brief for that.

How to Use the HOCK Textbook

Your textbook is the core of the HOCK study program. It contains explanations of concepts, examples, and multiple-choice questions within the reading to be answered as you are going through the book. You will find a pdf version of the textbook in My Studies, which you may print as you wish. If your purchase included a printed copy of the textbook, you also have online access in My Studies to the same book and to all future updates to it in pdf format.

The correct answers to the questions in the book appear at the end of the book, and they are also available on the same download page in My Studies as a separate document file for easier reference.

If an update to the textbook you purchased is published, the revised textbook will be posted in My Studies for you to download.

Note: We advise students to focus the majority of their study time on reading and learning the material in the book so they will understand the concepts and be able to answer the unfamiliar questions they will face on the exam. Candidates who spend all their study time answering the practice questions learn to answer those questions, but they may not have the understanding they need to answer the exam questions, which will be very different from the practice questions. The understanding needed to pass the exam comes from studying the material in the book. The purpose of the questions is to practice using the concepts studied in the book to answer questions because that is what you will need to be able to do to pass the exam. But you first must know the concepts.

How to Use the HOCK Flash Cards

Your flash cards are available in My Studies on the Questions download page. How you choose to use the flash cards is entirely up to you. They are not included in the assignments in this Study Plan. The flash cards cannot replace the textbook because they contain abbreviated information from the textbook. However, you might use them, for example, to drill on formulas you need to memorize or to review concepts.

The flash cards are in PowerPoint format and are compatible with Windows or Mac computers and most mobile devices. They can be used on-screen or they can be printed. Instructions for their use are in My Studies on the download page.

How to Use the HOCK Videos

If your purchase included the videos, you will find links to the videos as well as to the associated audios in My Studies for each exam part you purchased. The audios are the soundtracks from the videos. The videos must be used online because they are supplied as streaming videos, but the audios are in mp3 format and you can download them and listen to them on a computer or mobile device.

The videos and audios are intended for use as a supplement to the textbook. **Not all topics covered on the exam are covered in the videos and audios, so they cannot take the place of reading and studying your textbook.**

The videos/audios should be used following the reading. This Study Plan will guide you in which videos/audios to use at each point in your reading.

How to Use ExamSuccess

The practice questions in ExamSuccess should be used to practice using the concepts you have studied in your book. **Answering practice questions alone, without studying the book, will not prepare you for the exam** because the questions on the exam will be very different from the practice questions in ExamSuccess. Only knowing the concepts will prepare you to answer the unfamiliar questions on the exam. Knowing the concepts comes from studying the book.

ExamSuccess contains over a thousand multiple-choice practice questions for each exam part. ExamSuccess is offered in three formats, and candidates with access to ExamSuccess have access to all three formats at no additional cost:

- **ExamSuccess** in installed software format is for use on a Windows or Mac computer,
- **ExamSuccess Online** can be used from any computer or mobile device that is connected to the Internet, and
- The **HOCK CMA App by Appitur®** can be used offline on iOS and Android mobile devices.

The download buttons for all three are on the Questions download page in My Studies.

The ExamSuccess installed software, ExamSuccess Online, and the HOCK CMA App by Appitur® all use exactly the same questions and the questions are organized according to the same section and subsection names.

Note: If you use ExamSuccess in multiple formats, your performance is **not** synced among the various formats.

After completing the reading and the questions in the book for each assigned topic, answer the questions on that topic in ExamSuccess.

Note: It is very important to use ExamSuccess **as you are progressing** through the book. Do not wait until you have read the whole book to start answering questions in ExamSuccess. ExamSuccess gives you an opportunity to put into practice the concepts you have been reading about. Practice is very important for learning, and you should answer the pertinent questions as soon as you complete each block of assigned reading.

Note: The questions in the installed ExamSuccess and in ExamSuccess Online work the same way as the actual CMA exam questions do with respect to selecting an answer and moving to the next question. You can use either the mouse or the keyboard.

- To select an answer, either click the radio button next to your selection **or** type the letter of your selection on the keyboard.
- To move to the next question, either click "Next" **or** type Alt-N (Windows) or Option-N (Mac) on the keyboard.

HOCK recommends **using the keyboard** to select answers and move to the next question. Doing so saves a few seconds on each question, and a few seconds saved on each question can add up to several extra minutes available to answer exam questions. **Practicing the technique in ExamSuccess prepares you for using it on the exam.**

Using ExamSuccess Installed Software

If you are using **ExamSuccess in software format**, create and complete a Study Session consisting of **all** the questions available on the topic you are studying. The menus under each section in the ExamSuccess software menu expand to reveal the topics under them when you click on the “plus” sign in the box (in Windows) or the “triangle” (on a Mac) next to each section.

You do not need to answer all of the questions in the Study Session at one sitting. You can close a session without grading it, and then you can re-open it again later and work on it some more by simply clicking on “Resume/Manage Sessions” on the first screen that comes up when you open the software.

As you answer each question in Study Session mode, you will receive immediate feedback about whether your answer is correct or incorrect and an answer explanation. If your initial answer was incorrect, you will have the opportunity to try again to answer the question until you answer it correctly.

When you have completed the Study Session and graded it, re-study all questions not answered correctly on the first try by creating a new Study Session from those questions not answered correctly on the first try, looking up in the book and re-studying the topics missed, and then answering the incorrectly answered questions again. Keep doing that until you are scoring in at least the high 80s and preferably the 90s before moving on to the next topic.

As you complete each section, a review in ExamSuccess should be part of your overall review of the section. In addition to reviewing questions on topics you may have had particular difficulty with, review all the topics in the section by creating and completing at least one Study Session consisting of 40 questions from the entire group of questions in the section.

Using ExamSuccess Online

If you are using **ExamSuccess Online**, create and complete a Study Session consisting of **all** the questions available on the topic you are studying.

Select the section, then click on the link “Study Session” under that section. On the next page, you will see three choices of Study Sessions to create:

- 1) Select your own mix of questions from the topics in Section [*section letter and name*]
- 2) Select random questions from all topics in Section [*section letter and name*]
- 3) Select questions from Section [*section letter and name*] containing any of the following terms

The default is no. 1, “Select your own mix of questions from the topics in Section [*section letter and name*].” HOCK recommends the use of the default initially, because that choice enables you to narrow the selection of questions to the single topic that you have been reading and studying.

To request questions from a specific topic or topics, fill in the number of questions you want to see from one (or more) topics. HOCK recommends when you create a Study Session that you request the maximum number of questions available, because that ensures you will see all the questions in the question database for that topic. Scroll down to the “Start Session” button and click it.

You do not need to answer all of the questions in the Study Session at one sitting. You can click "Save" to close a session without grading it. Later, clicking on the section link will re-open the session so you can work on it some more. You can have only one Study Session per section saved and in progress at a time.

As you answer each question in a Study Session, you can receive immediate feedback for your answer by clicking the "See Answer" button below the question. If you answered the question correctly, you will see a green checkmark and the answer explanation for the correct answer. If you answered the question incorrectly, you will see a red "x" and answer explanations for both your incorrect answer choice and the correct answer choice. Unlike the software version of ExamSuccess, once you have viewed the answer, you cannot change your answer choice.

To close out and grade a Study Session, click the "End Session" button. You will see your score and a review of all the questions in the Study Session along with answer explanations. You can create another Study Session from the same section and topic after you have ended your current Study Session.

Unlike the software version of ExamSuccess, ExamSuccess Online does not offer an option to immediately create another Study Session from questions answered incorrectly after completing a Study Session for one or more topics within a section. However, you should review the answer explanations for any questions you answered incorrectly and make sure you understand why your incorrect answers were wrong. Look up any concepts that you do not understand and review the books and/or videos to re-study the weak topics.

Make sure you complete **all** of the questions for each topic before moving on to study the next topic.

You can also click one of the other Study Session radio buttons to select random questions from all topics in the section or questions from the section containing specific words.

- To select random questions from all topics in the section, click the radio button under that heading and either accept the default number of 40 questions or change it to the number of questions you want.
- To select questions from the section containing specific words, click the radio button under that heading and then enter the term or terms to search on in one or more of the fields provided. For example, if you want to see questions in Part 1, Section A on "cash flow," simply enter the words "cash flow" in one of the fields for terms to search on.

As you complete each section, a review in ExamSuccess should be part of your overall review of the section.

- On the ExamSuccess Online home page, you can use the "Re-Study Session" link to review 40 questions that you did not answer correctly in the Study Sessions. If there are some questions you left unanswered in the section, those questions will be included in the Re-Study Session. If you have answered incorrectly and/or left unanswered less than 40 questions, your Re-Study Session will contain less than 40 questions. If you have answered incorrectly and/or left unanswered more than 40 questions, you can keep creating Re-Study Sessions until no more questions appear.
- Each section on the ExamSuccess Online home page also provides a link to a Review Session to be used after completing the section. The Review Session includes 40 questions chosen at random from the section.

This Study Plan will tell you when to use the Re-Study and Review Sessions. Re-Study Sessions can be created until there are no more incorrectly answered or unanswered questions in the section. Review Sessions may be created and completed as many times as you wish, and a different set of randomly-selected questions will be presented each time.

Note: If you purchased the HOCK CMA Complete program with the "You Pass or We Pay" Guarantee, **you must use ExamSuccess Online to fulfill the ExamSuccess portion of the requirements to qualify for the guarantee.** To be eligible to claim your exam re-registration fee in the event you fail the exam, you must watch 95% of the videos, score at least 75% on all the Section Review Sessions in ExamSuccess Online, and score at least 75% on the Exam Session in ExamSuccess Online. You can take the online Review Sessions and the online Exam Session as many times as necessary to achieve the minimum scores.

Using ExamSuccess in the HOCK CMA App by Appitur®

After downloading the app and logging in using your HOCK email address and password, select the exam part you want to study and then select either "Study" or "Exam."

If you select "Study," under "Study Settings" use the Section Filter to select the Section and then the Subsection Filter to select the subsection. Then select the number of questions using the slider. The default is the maximum number of questions available. After you select your answer to each question, scroll down to see whether you answered it correctly and to view the answer explanation or explanations. To move to the next question, select "Next." You can skip questions and you can use the "Summary" button at any time to view links to each question and get back to answered or unanswered questions. To close out a session at any time, select "Close." Until you have answered all the questions and selected "Complete," the session will still be open when you return to complete it, and you can go back and add and change answers by using the "Summary" button. After you have answered all the questions in the session, select "Summary" and then "Complete" to record your answers. Your score will be displayed along with the questions and answers.

If you select "Exam," you will be presented with 100 questions drawn from all of the Sections and timed for 3 hours. However, you can also choose to answer fewer than 100 questions, and the timer will be adjusted accordingly. Select "Summary" to complete any unanswered questions and then "Complete" to close out the exam when you have answered all of the questions. Your score will be displayed along with a summary of your performance by section.

Periodic Reviews

In addition to completing each block of questions as you complete each block of reading and in addition to reviewing at the end of each Section, periodically stop and create a Study Session in ExamSuccess of around 40 questions drawn from **all** the topics you have studied to date. Doing that will keep you fresh on the topics you studied earlier so you do not forget the material.

- In the installed software, start a Study Session and click next to each topic in each Section that you have completed to select the topics to include.
- In ExamSuccess Online, you will need to create a separate Study Session for each Section you have completed. Use the "Select Your Own Mix of Questions" option in each Section you have completed and select a few questions from each topic. For example, if

you have completed Sections A and B, select 20 questions from the Section A topics and 20 questions from the Section B topics. As you progress through the material, you will select fewer and fewer questions from each Section in order to see a total of 40 questions from all the material completed.

- In the HOCK CMA App by Appitur[®], you will also need to create a separate Study Session for each Section you have completed. Select a section, and then for the Subsection Filter, select "All Subsections." For example, if you have completed Sections A and B, select 20 questions from the Section A topics and 20 questions from the Section B topics. As you progress through the material, you will select fewer and fewer questions from each Section in order to see a total of 40 questions from all the material completed.

Updates

Make sure to keep your installed ExamSuccess software up to date. HOCK is always improving ExamSuccess by adding new questions and improving answer explanations to existing questions, and an update file is posted in My Studies every 3-6 months. You can simply return to your My Studies Questions download page and re-download and re-install the software. It will install over top of your existing software. Your history and settings will be unchanged, and you will not need to re-register your installation.

Updates made to ExamSuccess Online are reflected immediately in the questions you see online. You do not need to take any action.

Updates to the HOCK CMA App by Appitur[®] take place automatically through the App Store.

Final Review

When you have completed your preparation, take several practice exams in ExamSuccess as part of your overall review:

- If you are using the software version of ExamSuccess, use it in Exam Simulation mode.
- If you are using ExamSuccess Online, use the Exam Session that you will find at the end of the Section listings on the ExamSuccess Online home page.
- If you are using the HOCK CMA App by Appitur[®], choose Exam on the setup screen.

In all the formats, the Exam will consist of 100 multiple-choice questions drawn from the same question database as the Study Sessions are drawn from, and you will be timed for 180 minutes (3 hours).¹ The question topics will be in the same proportion as the actual exam questions will be. You may create and complete as many Exams as you wish, and the questions will be different each time, though always selected randomly from the database of questions.²

¹ If you are using the HOCK CMA App by Appitur[®], you can choose to take a shorter exam with questions drawn from all the Sections.

² If you have the HOCK "You Pass or We Pay" Guarantee (available with purchase of CMA Complete), to be eligible to claim your exam re-registration fee in the event you fail the exam, you must watch 95% of the videos, score at least 75% on all the Section Review Sessions in ExamSuccess Online, and score at least 75% on the Exam Session in ExamSuccess Online. You can take the online Review Sessions and the online Exam Session as many times as necessary to achieve the minimum scores.

How to Use the Essay Questions

You will find Essay Questions on the Questions download page in My Studies. These questions are provided to help you become comfortable with the format of essay questions and with answering essay questions on-screen. The essay problems are not in ExamSuccess.

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

All the practice essay questions and their answers have been provided by the ICMA. The ICMA, or Institute of Certified Management Accountants, is the entity that is responsible for administering the CMA exams and for certifying candidates who fulfill all the requirements for certification.

Practice Essay Questions

The essay questions for each section should be used as you complete that section. The Study Plan will guide you in which essays to answer at the end of each section.

Under "Essay Questions" on the Questions download page in My Studies, you will see one button that says "Questions" and another button that says "Answers." The Questions and Answers documents are both in pdf format. The Questions document contains a group of numbered essay questions, and the appropriate questions to answer will be assigned in this Study Plan by number as you complete each Section in the textbook. The Answers document contains the answer explanations. The questions are formatted so that you can position the question window on the left half of your computer screen and a text editor on the right half of your screen and answer the questions on-screen in the text editor. The question document file contains instructions for doing that. You will be doing something similar on the real exam.

The exam does not provide a spreadsheet application for answering essay questions, and the ICMA has stated that none of the essay questions on the exam will require columnar work.³ Accordingly, none of the Practice Essay questions will require the use of a spreadsheet to answer.

³ However, if the ICMA does ask an essay question on the exam that requires you to develop a financial statement, do not spend any time formatting your answer. Just get the information down, and do not worry about whether your columns are straight. You will not have time for formatting.

Essay Videos

You will also see a button on the Questions download page labeled "Watch Essay Videos with Brian Hock." These essay videos are available in video format as well as pdf format, with Brian Hock walking you step-by-step through developing the answers. Many of the video essay questions are the same questions you will find in the Practice Essay Questions file, while other video essay questions are different from those questions. Along with links to the individual videos, links are provided for each essay's question and answer documents. The questions covered in the essay videos that are different from the Practice Essays may require the use of a spreadsheet and in that respect, they may not be representative of essay questions you would get on an exam.

How to Use the Mock Exams

Two mock exams, with answer explanations, are available to download in pdf format in My Studies.

The mock exams generally contain new questions not used elsewhere in the study materials. The mock exams provide a measure for your exam readiness and are a solid last review before taking the real exam.

The mock exams are pencil and paper exams. Each one contains 100 multiple-choice questions and two essay questions, just as the real exam does. You should set aside four hours to take each one. Answer explanations are provided in a separate document. HOCK recommends answering the essay questions using a computer and either a word processor or a text editor.

After you have graded your mock exam using the answer explanations provided, look up and re-study the topics on which you missed questions and then answer those questions again. Grading information for the essay portion of the mock exams is not available, though answers to the essays are provided. However, the essay portion of the real exam accounts for 25% of your grade, and you may be able to estimate the contribution to your score from your performance on the essays based on that assumption.

Other Information

Three additional documents are available for downloading in the mock exam area of the Questions section of My Studies. They are:

- **Sample Grading**, an example of how a former exam question was graded by the ICMA. This example was supplied by the ICMA and will help you to understand what will be expected. **HOCK recommends you download the Sample Grading document and review it before you attempt answering your first essay question.**
- **Test-Taking Strategies** prepared by the ICMA. This document was also supplied by the ICMA and contains some suggestions for how to approach the exam.
- **HOCK's Exam Tips** is a document prepared by HOCK that contains some tips for time management on the exam and some additional strategies for exam day.

HOCK recommends you download the *Test-Taking Strategies* and *HOCK's Exam Tips* documents, review them early in your preparation, and make use of them as you prepare.

Textbook and Other Study Materials

The components of the study program other than the textbook are intended to supplement the textbook. Therefore, they do not necessarily cover every topic in the Learning Outcome Statements as the textbook does and thus **cannot take the place of the textbook**.

Furthermore, the number of study questions on each topic in your study materials is not intended to imply the prominence of each topic in the real exam. The coverage of each major section on the exam is given in terms of percentages at the beginning of each section in the HOCK textbook and is in all of the informational materials from the Institute of Certified Management Accountants.

Alignment with the ICMA's Learning Outcome Statements

We have tried to cover all of the ICMA's Learning Outcome Statements (LOS) in the HOCK textbook. The major sections have been kept in their sequential order (A through F) as they are ordered in the Learning Outcome Statements. Within each section, however, the topics discussed in the books do not always follow the sequence of the topics in the Learning Outcome Statements. We have tried to introduce the topics so that each one builds on what has been covered previously rather than necessarily following the order in which they are mentioned in the LOS.

Note: The questions on the real exam will be presented in random order, not in Section order or Learning Outcome Statement order.

Section A Overview

Section A, *Financial Statement Analysis*, constitutes 25% of the exam. It contains three topics:

- 1) Basic Financial Statement Analysis
- 2) Financial Ratio Analysis
- 3) Special Issues

Several of the topics in Section A will require you to have a good understanding of financial accounting and external financial reporting. External financial reporting is covered briefly in the HOCK textbook for the CMA Part 1 exam and in more depth in Volume 2 of the HOCK *CMA Fundamentals* e-book. If you need to review, you can refer to either or both of those books or to accounting textbooks. If you use accounting textbooks, you will probably need both an intermediate and an advanced accounting textbook.

Basic Financial Statement Analysis**Comparative Financial Statement Analysis**

Comparative financial statement analysis is used to compare one company's financial results with those of another company or with industry averages or to compare financial statements of a single company over several periods to discern trends. Comparative financial statements state each item of the financial statement not as a numerical amount, but rather as a percentage of a relevant base amount.

**Textbook
Volume 1:**

-
- Read the Introduction to CMA Part 2

Read and answer the questions in the book for:

-
- Introduction to the Financial Statement Analysis Section
-
-
- Basic Financial Statement Analysis

Answer explanations for the questions are at the end of the volume and are also available in My Studies as a separate document.

Videos/Audios:

Watch/listen to:

-
- Measures of Income
-
-
- Comparative Financial Statement Analysis

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

-
- Comparative Financial Statement Analysis

Financial Ratio Analysis

Financial ratio analysis covers analyzing a company's financial statements to draw some conclusions about how well the company is doing. Your study of ratios and other calculations used in financial statement analysis will require you to learn all of the different ratios, the way they are calculated and what they measure and are used for. But that is not all. **It is important to understand not only how to calculate the ratios, but also how to interpret them.**

The topic of Ratio Analysis is divided into five broad groups:

- 1) Financial Ratio Analysis Basics and Liquidity Ratios
- 2) Leverage, Capital Structure, Solvency, and Earnings Coverage Ratios
- 3) Activity Ratios
- 4) Market Ratios, Profitability Ratios, and Profitability Analysis
- 5) Ratios Summary and Example and Limitations of Ratio Analysis

Financial Ratio Analysis Basics and Liquidity Ratios

- Textbook** Read and answer the questions in the book for:
Volume 1: Financial Ratio Analysis
 Liquidity Ratios
- Videos/Audios:** Watch/listen to:
 Introduction to Ratio Analysis
 Liquidity Ratios
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Financial Statement Analysis Basics, Liquidity Ratios

Leverage, Capital Structure, Solvency, and Earnings Coverage Ratios

- Textbook** Read and answer the questions in the book for:
Volume 1: Leverage, Capital Structure, Solvency, and Earnings Coverage Ratio
- Videos/Audios:** Watch/listen to:
 Leverage Ratios
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Leverage and Coverage Ratios

Activity Ratios

- Textbook Volume 1:** Read and answer the questions in the book for:
 Activity Ratios
- Videos/Audios:** Watch/listen to:
 Activity Ratios
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Activity Ratios

Market Ratios

- Textbook Volume 1:** Read and answer the questions in the book for:
 Market Ratios
- Videos/Audios:** Watch/listen to:
 Market Ratios
 Basic EPS
 Diluted Earnings Per Share
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Market Ratios

Profitability Ratios and Profitability Analysis

- Textbook Volume 1:** Read and answer the questions in the book for:
 Profitability Ratios
 Profitability Analysis
- Videos/Audios:** Watch/listen to:
 Profitability Ratios
 Profitability Analysis
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Profitability Ratios and Profitability Analysis

Ratios Summary and Example, Limitations of Ratio Analysis

Textbook Volume 1: Review the **Ratios Summary and Example** and re-calculate the ratios in order to understand how each one was derived, and re-view the interpretation of the ratios that follows.

You will find an Excel spreadsheet on the CMA Part 2 Textbook page in My Studies that contains the financial statements and ratios used in the example. The ratios are calculated within the spreadsheet cells using formulas that refer to the spreadsheet cells used. The formulas in the Excel spreadsheet may be a helpful reference if you are having difficulty re-calculating some of the ratios.

Read Limitations of Ratio Analysis

Videos/Audios: There are no videos/audios on these topics.

ExamSuccess: There are no questions in ExamSuccess specific to these topics.

Special Issues

Special Issues focuses on the impact that items such as foreign exchange rates, inflation, off-balance sheet financing, changes in accounting treatments, and other variables have on financial statements and financial statement analysis.

Textbook Volume 1: Read and answer the questions in the book for:
 Special Issues

Videos/Audios: Watch/listen to:

- Foreign Currency Transactions
- Foreign Currency Financial Statements
- Foreign Currency Impact on Ratios
- Inflation
- Off-Balance Sheet Financing
- Accounting Changes
- Book/Market Value and Accounting/Economic Profit
- Earnings Quality

ExamSuccess: Answer **all** of the study questions in ExamSuccess for:
 Special Issues

Practice Essay Questions

You will find Practice Essay Questions on your Questions download page in My Studies. Before answering any essay questions, it would be a good idea to download the Sample Grading from the ICMA, available behind the button labeled "Sample Grading" on the Questions download page.

Download the pdf file containing the questions ("Questions" button) and follow the instructions for use on the first page. The answers are in a separate pdf file for you to download ("Answers" button) and check your answers after you have answered the questions.

Many of the essay questions also have video answers. The video answers are available on the Questions page in My Studies by clicking on "Watch Essay Videos with Brian Hock."

Answer the following practice essay question:

- Practice Question #1, CCB Enterprises, Financial Statement Analysis

Review of Section A

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing 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 in the ExamSuccess software consisting of 40 questions from the entire group of *Section A, Financial Statement Analysis* questions or by completing the 40-question Review Session available in ExamSuccess Online.⁴

HOCK recommends that you create a study sheet consisting of the items you will need to memorize for the exam. You can wait until you are finished studying and do that as part of your overall review, or you can create it Section by Section as part of your Section reviews. If you have chosen to create it Section by Section, now is the time to create it for Section A. Creating the study sheet is in itself a learning experience, and for that reason we do not do it for you. It will be much more meaningful to you if you make the study sheet yourself and then review it than it would be to review one that has been made for you.

⁴ Remember that if you have the HOCK "You Pass or We Pay" Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions in **ExamSuccess Online**. **ExamSuccess Online must be used to fulfill this requirement.**

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 exam.

You can become an IMA member anytime, but it would be wise to wait to pay the certification entrance fee until you are ready to register for your first exam. The entrance fee is valid for three years, and if you have not passed both exams within three years of paying the fee, you will need to pay the fee again. Thus, it is best to wait until the last possible moment to pay it. (Payment of the entrance fee provides access to a "CMA Support Package" published by the IMA. However, the same study questions that are in the IMA's Support Package are available in your HOCK study materials.)

Before you will be able to schedule your exam appointment, you will need to register with the ICMA for the exam and receive your authorization number. The IMA processes exam registrations for the ICMA in the online store on its website at www.imanet.org. You can also call the IMA to register. Exam registrations are processed immediately, and an email containing your authorization number is sent out with the subject "CMA Exam Authorization Letter." More information about how to register for an exam is available on the HOCK website at <http://www.hockinternational.com/cma/cma-exam-registration-fees/>.

After receiving your authorization email from the ICMA, you can schedule your exam appointment with the Prometric testing center on its website at www.prometric.com. However, wait for about an hour after receiving the authorization email before trying to schedule your exam appointment with Prometric to allow time for the IMA's website to synchronize its information with the Prometric website.

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.

Depending upon appointment availability at the Prometric testing center you use, you may need as much as 6 weeks' lead time to get your desired exam appointment date. The ICMA is not responsible if you are not able to schedule an exam appointment within your authorization period.

However, do not register too soon, or you may find yourself appearing for the exam before you are prepared for it. It is better to wait to register until you are far enough along in your studies to be able to project when you will be ready to take the exam.

More information on scheduling an exam appointment is available in the ICMA's CMA Candidate Handbook, available through a link on the IMA's website and also through a link on HOCK's website at <http://www.hockinternational.com/cma/cma-exam-requirements/>.

Overview

Section B, *Corporate Finance*, constitutes 20% of the exam. It includes six topics, each of which should consume about 1/6 of your study time in this unit. The six topics are:

- 1) Risk and Return
- 2) Long-Term Financial Management
- 3) Cost of Capital
- 4) Raising Capital
- 5) Working Capital Management
- 6) Corporate Restructuring
- 7) International Finance

Risk and Return

The emphasis in this grouping of topics is on types of risk and the relation between risk and return in the context of investing. The Capital Asset Pricing Model (CAPM), which will be used repeatedly throughout this Section and the book, is introduced as a means of calculating the investors' required rate of return. Since it is used so much, make sure you memorize the CAPM formula and that you understand what each part of it represents.

**Textbook
Volume 1:**

- Read the Introduction to **Section B – Corporate Finance** and **Risk and Return** and answer the questions in the book.

Videos/Audios:

Watch/listen to:

- Risk and Return
- Types of Risk
- Capital Asset Pricing Model
- Portfolio Risk and Return

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Risk and Return

Long-Term Financial Management

Long-term Financial Management covers the types of long-term financing used in a firm's capital structure. A firm's "capital" includes both its long-term debt and its equity. "Capital structure" is the way a firm apportions its capital between and among the various sources of long-term debt and equity. Although derivatives are not a source of financing but instead are a risk management tool, derivatives are included in this group of topics, as well.

Financial Instruments

Financial instruments include bonds and stock used as sources of financing. Use of the constant growth dividend discount model and the two-stage dividend discount model to value stock are discussed, as well.

**Textbook
Volume 1:**

Read and answer the questions in the book for:

- Long-Term Financial Management, **stopping** at Derivatives

Videos/Audios:

Watch/listen to:

- Introduction to Long-Term Financing
- Bonds – Debt Financing
- Term Structure of Interest Rates
- The Bond Instrument
- Bond Duration
- Equity Financing
- Calculation of the Price of a Share
- Stock Rights, Warrants, and ADRs

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- L-T Financial Management-Financial Instruments.

Derivatives

Derivatives focuses on the use of derivatives to hedge risk. Forward and futures contracts, swaps, options, and some of the hedging strategies that can be used are also discussed.

**Textbook
Volume 1:**

Read and answer the questions in the book for:

- Derivatives (under Long-Term Financial Management)

Videos/Audios:

Watch/listen to:

- Introduction to Derivatives
- Forward and Future Contracts
- Interest Rate Swaps
- Options
- Option Terms
- Hedging Strategies with Puts and Calls

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- L-T Financial Management-Derivatives

Cost of Capital

Cost of Capital covers calculation of the cost of capital, expressed as a percentage rate of the market value of the capital. "Capital" as used in this context refers to equity and long-term debt. A company's cost of capital is the return expected by investors on a portfolio consisting of the company's outstanding securities, both debt and equity. The required return from the investors' perspective is equal to the cost of capital from the company's perspective.

This topic focuses on the cost of a particular bond or share issuance. The cost is a rate, a percentage of the market value of the relevant outstanding securities. When the cost is the average cost of all the company's capital, it is called a "weighted average cost of capital" (WACC) for the company. When it is the average cost of **new** capital, it is called a "weighted marginal cost of capital," or just marginal cost of capital. 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 with the calculation of each item individually and that you need to use market values, not book values, for both the value of the liability and the rate.

You also need to make a special effort to understand the difference between the weighted **average** cost of capital and the weighted **marginal** cost of capital.

Textbook
Volume 1:

Read and answer the questions in the book for:

Cost of Capital

Videos/Audios:

Watch/listen to:

- Cost of Capital
- Cost of Debt
- Cost of Preferred Stock
- Cost of Common Equity
- Capital Structure and WACC
- Capital Structure Decisions

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

Cost of Capital

Raising Capital

Raising Capital covers capital markets—primary markets where securities are initially issued and secondary markets where securities that have already been issued can be traded—as well as some related topics such as agencies that rate securities and the meaning of the ratings. Dividend policy and sources of long-term financing other than publicly-issued securities are also discussed, such as lease versus purchase analysis.

Textbook Read and answer the questions in the book for:

Volume 1:

Raising Capital

Videos/Audios: Watch/listen to:

- Commercial Bank Loans
- Lease Financing
- Venture Capital
- Equity Issuance
- Bond Issuances
- Financial Markets
- Market Efficiency
- Dividend Policy and Treasury Stock

ExamSuccess: Answer **all** of the study questions in ExamSuccess for:

Raising Capital

Working Capital Management

Working capital management encompasses both current asset management and 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 working capital 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 managing cash disbursements and cash collections, the issues related to inventory management, cash discounts for prompt payment on receivables and the balance between cash and marketable securities. All of these topics are covered in the textbook, and you want to be certain that you are comfortable with them.

After covering current assets, short-term financing, or current liabilities, are discussed. Current liabilities include trade credit and the cost of not taking a discount if one is offered for prompt payment, bank loans, and the factoring of receivables. You must be able to calculate the effective interest rate for trade credit and for the different types of loans and the amount of cash received from the sale (factoring) of receivables.

Introduction to Working Capital Management, Cash Management, Marketable Securities Management

- Textbook Volume 1:** In **Working Capital Management**, read and answer the questions in the book for:
- Working Capital Finance
 - The Operating Cycle
 - Cash Flow Management
 - Marketable Securities Management
- Videos/Audios:** Watch/listen to:
- Working Capital Management Introduction
 - Cash Management
 - Marketable Securities Management
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Cash and Marketable Securities Management

Accounts Receivable and Inventory Management

- Textbook Volume 1:** In **Working Capital Management**, read and answer the questions in the book for:
- Accounts Receivable Management
 - Inventory Management
- Videos/Audios:** Watch/listen to:
- Accounts Receivable Management
 - Inventory Management
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Accounts Receivable Management
 - Inventory Management

Short-Term Financing, Working Capital Policy

- Textbook Volume 1:** In **Working Capital Management**, read and answer the questions in the book for:
- Short-Term Financing
 - Maturity Matching Approach to Working Capital Management
- Videos/Audios:** Watch/listen to:
- Bank Loans
 - Factoring Receivables
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Trade Credit
 - Short-Term Bank Loans and Other S-T Financing
 - Working Capital Policy

Corporate Restructuring

Corporate Restructuring includes business combinations, takeover strategies and defenses, divestitures, and leveraged buyouts. Bankruptcy, including voluntary liquidation of a company as well as both reorganization and liquidation under supervision of the bankruptcy court, is also covered. Valuing a business to establish its price for a business combination is also discussed.

Textbook Read and answer the questions in the book for:

Volume 1: Corporate Restructuring

Videos/Audios: Watch/listen to:

- Business Combinations
- Takeovers and Defenses
- Divestitures
- Bankruptcy
- Discounted Cash Flow Valuation

ExamSuccess: Answer **all** of the study questions in ExamSuccess for:

Corporate Restructuring and Bankruptcy

International Finance

International Finance involves foreign direct investment, benefits of international diversification, international trade and exchange rates, the operation of the foreign exchange markets, how exchange rates are determined, 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 by multinational corporations and tax considerations in setting transfer prices are covered, as well.

Textbook Read and answer the questions in the book for:

Volume 1: International Finance

Videos/Audios: Watch/listen to:

- Multinational Corporations and Foreign Direct Investment
- Foreign Exchange Rates
- Determining Exchange Rates
- Foreign Exchange Cross Rates
- Managing Foreign Exchange Risk
- Using Foreign Financing
- Financing Foreign Transactions
- Transfer Prices and Taxes

ExamSuccess: Answer **all** of the study questions in ExamSuccess for:

International Finance

Practice Essay Questions

Answer the following practice essay questions:

- Practice Question #2, Sentech Scientific, Working Capital Management
- Practice Question #3, FSL Industries, L-T Financial & Working Capital Management
- Practice Question #4, Han Electronics, Corporate Restructuring
- Practice Question #5, Gershenfeld Foundation, Short-Term Investments

Other video essays available in My Studies with companion pdf document files include:

- Black-Cross, Working Capital
- Hamilton Plastics, Dividends
- Richmond, WACC

Review of Section B

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing 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 B by creating at least one Study Session consisting of 40 questions from the entire group of *Section B, Corporate Finance* questions or by completing the Review Session available in ExamSuccess Online.⁵

HOCK recommends that you create a study sheet consisting of the items you will need to memorize for the exam. You can wait until you are finished studying and do that as part of your overall review, or you can create it Section by Section as part of your section reviews. If you have chosen to create it Section by Section, now is the time to add to the sheet the items you want to memorize for Section B.

Additional Periodic Review

HOCK recommends 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.

⁵ Remember that if you have the HOCK "You Pass or We Pay" Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions in **ExamSuccess Online**. **ExamSuccess Online must be used to fulfill this requirement.**

Section C Overview

Section C, *Decision Analysis*, is 20% of the exam. It has three main parts:

- 1) Cost-Volume-Profit, or Breakeven, Analysis
- 2) Marginal Analysis
- 3) Pricing and Pricing Strategy

Cost-Volume-Profit (CVP) Analysis

Cost-volume-profit (CVP) analysis involves determining the required sales volume and sales revenue to break even, given certain parameters. The breakeven point is the point where net income is zero. CVP analysis also includes calculation of the target sales volume and target sales revenue necessary to achieve a given level of before-tax or after-tax profit. CVP analysis can be performed for a single product or for multiple products.

Cost-Volume-Profit and Breakeven Analysis**Textbook
Volume 2:**

Read and answer the questions in the book for:

- Introduction to Section C – Decision Analysis
- The Decision-Making Process
- Cost-Volume-Profit (CVP) Analysis

Videos/Audios:

Watch/listen to:

- CVP Analysis
- Profit Point Analysis
- Multiple Product CVP Analysis
- Risk and Uncertainty in CVP Analysis

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Assumptions and Basis of CVP Analysis
- Breakeven Analysis

Breakeven Analysis – Other Decisions**Textbook
Volume 2:**

Read and answer the questions in the book for:

- Other Decisions

Videos/Audios:

Watch/listen to:

- Other Decisions

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Using CVP Analysis in Decision-Making

Marginal Analysis

Marginal analysis involves decisions such as make-or-buy decisions, whether or not to accept a special order, sell or process further decisions and disinvestment decisions. The difference between relevant and irrelevant revenues and costs is an important concept. Make sure you understand the difference.

Introduction to Marginal Analysis

- Textbook** Read and answer the questions in the book for:
Volume 2: Marginal Analysis, **stopping** at Marginal Analysis Applications
- Videos/Audios:** Watch/listen to:
 Decision Making
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Relevant Information for Decision-Making, Economic Costs
 Using Economics Concepts in Production Decisions

Marginal Analysis Decisions

- Textbook** Read and answer the questions in the book for:
Volume 2: Marginal Analysis Applications (under Marginal Analysis)
- Videos/Audios:** Watch/listen to:
 Make-or-Buy Decisions
 Special Order Decisions
 Sell or Process Further Decisions
 Disinvestment Decisions
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
 Make or Buy Decisions
 Marginal Analysis-Other Decisions

Pricing and Pricing Strategy

On the topic of pricing, you need to be familiar with the economic factors that affect pricing such as market structure and supply and demand; internal and external factors that affect pricing decisions; and different methods of determining the price of a product or service.

Textbook Read and answer the questions in the book for:

Volume 2:

- Pricing
- Pricing Strategy

Videos/Audios: Watch/listen to:

- Demand and Supply
- Pricing by Market Structure
- Pricing Strategy
- Product Pricing
- New Product and Product Mix Pricing
- Short Run and Long Run Pricing
- Product Life Cycle Pricing
- Other Pricing Considerations

ExamSuccess: Answer **all** of the study questions in ExamSuccess for:

- Pricing and Pricing Strategy

Practice Essay Questions

Answer the following practice essay questions:

- Practice Question #6, OneCo, Inc., Marginal Analysis
- Practice Question #7, Candice Company, Cost-Volume-Profit Analysis
- Practice Question #8, City of Blakston, Cost-Volume-Profit Analysis
- Practice Question #9, Kolobok Inc., Pricing
- Practice Question #10, Spreck Technologies, Product Life Cycles

Other video essays available in My Studies with companion pdf document files include:

- Garner, Breakeven Analysis
- Marcus Fibers, Minimum Price

Review of Section C

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing 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 C by creating at least one Study Session consisting of 40 questions from the entire group of *Section C, Decision Analysis* questions or by completing the Review Session available in ExamSuccess Online.⁶

HOCK recommends that you create a study sheet consisting of the items you will need to memorize for the exam. You can wait until you are finished studying and do that as part of your overall review, or you can create it Section by Section as part of your Section reviews. If you have chosen to create it Section by Section, now is the time to add to the sheet the items you want to memorize for Section C.

Additional Periodic Review

HOCK recommends 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.

⁶ Remember that if you have the HOCK “You Pass or We Pay” Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions **in ExamSuccess Online. ExamSuccess Online must be used to fulfill this requirement.**

Section D Overview

Section D, *Risk Management*, is 10% of the exam. Types of risk, the risk management process, Enterprise Risk Management (ERM), the role of corporate governance in risk management, and the use of portfolio theory in enterprise risk management are important topics.

Risk Management

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

- Textbook**
Volume 2: Read and answer the questions in the book for:
- Section D – Risk Management (entire Section)
- Videos/Audios:** Watch/listen to:
- Types of Risk
 - Risk Management Process
 - Enterprise Risk Management
 - Event Identification and Risk in Banks
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Risk Management

Practice Essay Questions

Answer the following practice essay questions:

- Practice Question #11, Grubstake Mining, Future Value & Risk Management
(Note: Information on future value calculations is in Appendix A, *Time Value of Money Concepts [Present/Future Value]*.)
- Practice Question #12, Pearson Foods, Risk Management

Review of Section D

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing 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 D by creating at least one Study Session in the ExamSuccess software from the entire group of *Section D, Risk Management* questions or by completing the Review Session available in ExamSuccess Online.⁷

HOCK recommends that you create a study sheet consisting of the items you will need to memorize for the exam. You can wait until you are finished studying and do that as part of your overall review, or you can create it Section by Section as part of your Section reviews. If you have chosen to create it Section by Section, now is the time to add to the sheet the items you want to memorize for Section D.

Additional Periodic Review

HOCK recommends 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.

⁷ Remember that if you have the HOCK “You Pass or We Pay” Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions **in ExamSuccess Online. ExamSuccess Online must be used to fulfill this requirement.**

Section E Overview

Section E, *Investment Decisions*, is 15% of the exam and is concerned with capital budgeting. Capital budgeting refers to a group of methods used by companies to analyze possible capital projects to invest in.

The topic of capital budgeting is divided into several subtopics:

- 1) The Capital Budgeting Process
- 2) Capital Budgeting Methods
- 3) Risk in Capital Budgeting
- 4) Real Options

The Capital Budgeting Process

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. The different stages of a project include the initial investment (which may also include working capital needs and the cash inflow from 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 the release of working capital).

The main annual cash flow that you will need to spend time on is the depreciation tax 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 the cash paid out for income taxes. This reduction of taxes creates the equivalent of a cash inflow.

The topic of relevant cash flows, covered in the previous 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.

**Textbook
Volume 2:**

In **Section E – Investment Decisions**, read and answer the questions in the book for:

- Introduction to Investment Decisions
- Capital Budgeting Process Overview
- The Stages in Capital Budgeting
- Terms Used in Capital Budgeting
- Identifying and Calculating the Relevant Cash Flows
- Depreciation for Tax Purposes
- Other Tax Considerations
- Irrelevant Cash Flows
- Example of Calculation of After-Tax Relevant Cash Flows

Videos/Audios:

Watch/listen to:

- Relevant Cash Flows

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Capital Budgeting Process

Capital Budgeting Methods

Net Present Value (NPV) and Internal Rate of Return (IRR) are the most important in this topic, 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.

Payback Method

Textbook
Volume 2:

In **Section E – Investment Decisions**, read and answer the questions in the book for:

- Capital Budgeting Methods
- Payback Period or Payback Method

Videos/Audios:

Watch/listen to:

- The Payback Method, covered during the first 6 minutes, 32 seconds of Payback and Discounted Payback Methods (stop at Discounted Payback Method)

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Payback Method

Time Value of Money Concepts, Discounted Payback Method, and Net Present Value

Textbook
Volume 2:

In **Section E – Investment Decisions**, read and answer the questions in the book for:

- Discounted Cash Flow Methods of Capital Budgeting
- Discounted Payback Period or Method (Breakeven Time)
- Net Present Value (NPV) Method

Videos/Audios:

Watch/listen to:

- The Discounted Payback Method, covered during the last part of Payback and Discounted Payback Methods, beginning at 6 minutes, 32 seconds.
- Net Present Value Method

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Time Value of Money, Discounted Payback, and Net Present Value

Internal Rate of Return

- Textbook Volume 2:** In **Section E – Investment Decisions**, read and answer the questions in the book for:
- Internal Rate of Return (IRR)
 - NPV Profiles and the Crossover Rate
- Videos/Audios:** Watch/listen to:
- Internal Rate of Return.
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Choice of Discount Rate, Internal Rate of Return.

Capital Budgeting Methods – Other Topics

- Textbook Volume 2:** In **Section E – Investment Decisions**, read and answer the questions in the book for:
- The Accounting (or Average) Rate of Return
 - Advanced Capital Budgeting Topics
 - Summary and Review of Relevant Cash Flows
- Videos/Audios:** Watch/listen to:
- Accounting Rate of Return Method
 - Unconventional Projects in Capital Budgeting
 - Inflation in Capital Budgeting
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Capital Budgeting Methods-Other Topics

Risk in Capital Budgeting

Capital budgeting involves risk, because the actual cash flows realized from a project will probably be different from the expected cash flows used in the capital budgeting analysis. This topic covers methods for factoring risk into the capital budgeting analysis.

- Textbook Volume 2:** In **Section E – Investment Decisions**, read and answer the questions in the book for:
- Risk in Capital Budgeting
- Videos/Audios:** Watch/listen to:
- Risk in Capital Budgeting
- ExamSuccess:** Answer **all** of the study questions in ExamSuccess for:
- Risk in Capital Budgeting

Real Options

A real option is the right but not the obligation to acquire the gross present value of future expected cash flows from a “real” investment (an investment in real property, in other words, a capital investment) by making the investment on or before the date the opportunity expires. It can also be the right but not the obligation to abandon a capital project or to make an additional investment in it before the expiration date of the opportunity. This subtopic discusses what a real option is, how it can add value to a project, and how the value of a real option can be determined.

**Textbook
Volume 2:**

In **Section E – Investment Decisions**, read and answer the questions in the book for:

- Real Options in Capital Budgeting
- The Qualitative Factor in Capital Budgeting Decisions

Videos/Audios:

Watch/listen to:

- Real Options in Capital Budgeting

ExamSuccess:

There are no ExamSuccess questions on *Real Options*.

Practice Essay Questions

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Download the pdf file containing the questions (“Questions” button) and follow the instructions for use on the first page. The answers are in a separate pdf file for you to download (“Answers” button) and check your answers after you have answered the questions.

Answer the following practice essay questions:

- Practice Question #13, Bell Company, Capital Budgeting
- Practice Question #14, Grandeur Industries, Capital Budgeting and Risk
- Practice Question #15, Orion Corp., Capital Budgeting and Cost of Capital

Other video essays available in My Studies with companion pdf document files include:

- Magruder, NPV and Risk
- Waterford, NPV
- Zeus, WACC and NPV.

Review of Section E

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing 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 E by creating at least one Study Session in the ExamSuccess software consisting of 40 questions from the entire group of *Section E, Investment Decisions* questions or by completing the 40-question Review Session available in ExamSuccess Online.⁸

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Additional Periodic Review

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Section F Overview

Professional Ethics in the CMA Part 2 exam is 10% of the exam. It focuses on ethical considerations for the professionals individually and on ethical considerations for the organization as a whole. An ethics question could be on an ethical matter only, but ethical considerations could also be integrated with any question on any other topic.

You should **memorize** the IMA’s Statement of Ethical Professional Practice that is reproduced in your book. You need to be able to quote from it (not paraphrase it) in support of your answer to an ethical dilemma, and you need to be able to state how a particular principle or standard applies to a specific situation.

Ethical Considerations for Professionals

**Textbook
Volume 2:**

In **Section F – Professional Ethics**, read and answer the questions in the book for:

- Ethical Considerations for Professionals
- IMA’s Statement of Ethical Professional Practice
- Memorize the IMA’s Statement of Ethical Professional Practice**
- Employee Fraud and the Fraud Triangle

Videos/Audios:

Watch/listen to:

- Personal Professional Ethics

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Ethical Considerations for Professionals

Ethical Considerations for the Organization as a Whole

**Textbook
Volume 2:**

In **Section F – Professional Ethics**, read and answer the questions in the book for:

- Ethical Considerations for the Organization

Videos/Audios:

Watch/listen to:

- Ethical Considerations for the Organization
- SMA – Values and Ethics

ExamSuccess:

Answer **all** of the study questions in ExamSuccess for:

- Ethical Considerations for the Organization

Practice Essay Questions

You will find Practice Essay Questions on the Questions download page in My Studies. Before answering any essay questions, it would be a good idea to download the Sample Grading from the ICMA if you have not yet done so, available behind the button labeled “Sample Grading” on the Questions download page.

Download the pdf file containing the questions (“Questions” button) and follow the instructions for use on the first page. The answers are in a separate pdf file for you to download (“Answers” button) and check your answers after you have answered the questions.

Answer the following practice essay questions:

- Practice Question #16, Pro-Kleen, Individual Professional Ethics
- Practice Question #17, Honest Corporation, Corporate Ethics

Review of Section F

If you have had particular difficulty with a topic or topics in this section, begin your review by completing 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 F by creating at least one Study Session in the ExamSuccess software from the entire group of *Section F, Professional Ethics* questions or by completing the Review Session available in ExamSuccess Online.⁹

HOCK recommends that you create a study sheet consisting of the items you will need to memorize for the exam. You can wait until you are finished studying and do that as part of your overall review, or you can create it Section by Section as part of your Section reviews. If you have chosen to create it Section by Section, now is the time to add to the sheet the items you want to memorize for Section F.

Do not neglect to memorize the IMA’s Statement of Ethical Professional Practice. Know what each principle and standard means and be able to apply it to a particular situation.

⁹ Remember that if you have the HOCK “You Pass or We Pay” Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions in **ExamSuccess Online**. **ExamSuccess Online must be used to fulfill this requirement.**

Comprehensive Review

If you have chosen to create a study sheet after you have completed all the Sections rather than as you were going through each one, now is the time to do it. You will want to keep it handy during the last couple of weeks before your exam so you can review it again and again.

You should also 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 that are identified in the Section Overviews.

If you have the flash cards and have not been using them up to this point, now is a good time to use them. The flash cards do not cover every detail in the materials, but they do address the main topics, definitions and formulas that are most likely to be tested. Use the flash cards whenever you can, even if it is for only a few minutes. The flash cards are provided in PowerPoint format, and there are instructions provided with the flash cards about how to load and use them.

During the final week or two before your exam, create several Exam Simulations in the ExamSuccess software or Exam Sessions in ExamSuccess Online.¹⁰ Each of these Exam Simulations/Sessions 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 actual exam. For example, if a particular major Section will account for 20% of the questions on the real exam, 20% of the questions on the simulation exam will also come from that section. Unlike a Study Session, an Exam Simulation/Session will not give you feedback on your answers until after you have completed it and closed it out. The simulation exams will be timed for three hours (the time allowed on the real exam for the multiple-choice portion of the exam), 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 is a four-hour exam and will consist of 100 multiple-choice questions and two essay questions.

Note: The multiple-choice questions on the real exam will **not** be organized according to Section. The questions will be presented on all the topics randomly.

Also, use this as an opportunity to practice your time management skills. The same keyboard shortcuts that are available in the multiple-choice portion of the Prometric exam are available in ExamSuccess (both the software version and ExamSuccess Online). You can use the keyboard instead of the mouse to select your answer and move to the next question by depressing the key for the letter that corresponds to your answer choice and then hitting Alt-N (Windows) or Command-N (Mac) to move to the next question. If you practice this technique and then use it during the exam, you can increase your speed and save a few seconds on each question. Over the course of the exam, that could equal as much as 10 extra minutes for answering questions.

If you have not done so already, refer to the *HOCK's Exam Tips* document for more tips you can use on exam day.

¹⁰ Remember that if you have the HOCK "You Pass or We Pay" Guarantee, to be eligible to claim your exam re-registration fee in the event you fail the exam, one of the requirements is that you score at least 75% on all the Section Review Sessions **in ExamSuccess Online. ExamSuccess Online must be used to fulfill this requirement.**

Mock Exams

You also have access to two paper and pencil mock exams (in pdf format), which you can take after you have completed your review. You will find the mock exams and separate documents containing the answer explanations on the Questions download page in My Studies. Like the real exam, the mock exams contain 100 multiple-choice questions and 2 essay scenarios, each with several questions. Set aside 4 hours without interruption to complete each mock exam so you can become accustomed to sitting for 4 hours in one place. It would be a good idea to answer the essay questions on a computer using a text editor or a word processor. When you have completed the mock exams and graded them, use them as another study tool. Look up in your book the topics on which you missed questions, then try answering those questions again.