



Dear CMA Part 1 Candidate,

Studying for and passing the CMA Exams is a mission that requires dedication and hard work. From our experience at HOCK with thousands of candidates, we know that planning makes this process much easier. Because the exam is available throughout the year and there is no date by which you need to be prepared, studying can seem endless without a proper plan. We know it is easy to "put things off until tomorrow." However, you cannot afford to do that. Under the guidelines for the exams introduced in 2010, if you do not register for an exam within 12 months of entering the program, you will be required to pay the entrance fee again. And you will be required to complete the program within three years from entry into the program.

We believe that you will find studying easier and less time consuming if you have a solid plan that targets passing the Part 1 Exam within three to four months after you begin studying. Set out below is a 14-week plan, studying 8 to 10 hours per week. This is simply a guide based on the expected amount of study time for a person with some financial background who is familiar with the basic exam concepts.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Brian J. Hock". The signature is written in a cursive style with a large, stylized "B" and "H".

Brian Hock, CMA, CIA

President and CEO

January 2010





## 2010 CMA Part 1 Study Plan Unit 1: 3 Weeks Section A – Planning, Budgeting and Forecasting

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Section A contains eight topics. As you read these topics, you will find questions within the reading. The correct answers to the questions appear at the end of the book.

### **ExamSuccess**

After completing the reading and the questions in the book for each of the topics below, open your ExamSuccess study software. Create and complete a Study Session in ExamSuccess consisting of all of the questions in that topic in ExamSuccess. When you have completed the Study Session and scored it, re-study all questions missed by looking up in the book the topics missed and creating a new Study Session from all incorrectly answered questions.

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

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

The topics in Section A are:

### **Planning and Budgeting Concepts**

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

### **Budget Methodologies, Other Types of Budgets**

The second part of the section is numerical. You will need to be able to calculate how many units must be purchased or produced during the period and what the flexible budget would have been, given a master budget and certain level of production. In this type of flexible budget question, you will need to remember to calculate the total fixed costs by multiplying the master budget level of production by the master budget cost per unit. The total fixed costs do not change within the relevant range and the question will be within that range. You also need to be able to calculate the amount of cash collected or paid during the period.

### **Forecasting Techniques**

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

### **Learning Curves**

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



## 2010 CMA Part 1 Study Plan Unit 1: 3 Weeks Section A – Planning, Budgeting and Forecasting

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### **Probability**

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

### **Risk, Uncertainty and Expected Value**

You will see the concept of standard deviation again in this topic. This topic deals with methods to obtain a recommended decision alternative or an optimal strategy for the purpose of planning and budgeting.

### **Sensitivity Analysis**

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

### **Top-Level Planning and Analysis**

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



## 2010 CMA Part 1 Study Plan Unit 1: 3 Weeks Section A – Planning, Budgeting and Forecasting

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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 three years. If you have not passed both exams within three 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 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 testing window. The testing windows are January-February, May-June, and September-October. Registrations for Part 1 received on or after February 16<sup>th</sup>, June 16<sup>th</sup>, or October 16<sup>th</sup> will be registered for the following testing window.

The ICMA recommends that you schedule your exam appointment at least 6 weeks before your desired date to insure your first choice of date, time, and location. You will need 1-2 weeks for your registration to be processed and then 4 weeks to schedule your exam appointment. However, do not register too soon, or you may find yourself appearing for the exam before you are prepared for it.



## 2010 CMA Part 1 Study Plan Unit 2: 2 Weeks Section B – Performance Management

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This section has three main topics within it: Variance Analysis, Responsibility Centers and Reporting Segments, and Performance Measurement.

### **Variance Analysis**

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

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

#### **Introduction to Variance Analysis and Standard Costs**

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

#### **Variance Analysis Concepts**

This is an introduction to variance analysis. It goes into flexible budget variances versus static budget variances. You need to know that the sales volume variance is the difference between the flexible budget amount and the static budget amount.

#### **Manufacturing Input Variances – Materials and Labor**

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

## 2010 CMA Part 1 Study Plan

### Unit 2: 2 Weeks

### Section B – Performance Management

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#### **Manufacturing Input Variances – Factory Overhead**

The topic of overhead variances appears much more complicated than it is. In order to understand overhead variances, it helps to have a good understanding of how overhead is accounted for and how it is allocated to units produced. That is covered in Section C, Cost Management, in your book. You might find it helpful to read the topic of “Overhead Allocation” in Section C before moving into the topic of overhead variances. You will need to memorize the formulas for these items, including how they are combined in the different ways of analysis, such as two-way, three-way and four-way analysis.

#### **Sales and Market Variances and Variance Analysis for a Service Company**

Sales variances are used to explain the differences between actual and budgeted amounts of revenue, variable costs, and contribution margin caused by differences between actual sales results and planned or budgeted sales results. They are different from manufacturing input variances because they are related to units sold, not units produced. However, the concept is the same. They use the same price variance and quantity variance formulas as the manufacturing input variances do.

#### **Responsibility Centers and Reporting Segments**

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

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

#### **ExamSuccess**

All of the ExamSuccess questions for Responsibility Centers and Reporting Segments are in a single category. After completing the reading and the questions in the book for the topic of Responsibility Centers and Reporting Segments, open your ExamSuccess study software. Create and complete a Study Session in ExamSuccess consisting of all of the questions in that topic in ExamSuccess. When you have completed the Study Session and scored it, re-study all questions missed by looking up in the book the topics missed and creating a new Study Session from all incorrectly answered questions.

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## 2010 CMA Part 1 Study Plan Unit 2: 2 Weeks Section B – Performance Management

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### **Performance Measurement and Performance Feedback**

As part of performance measurement, you will need to be familiar with two calculations: return on investment and residual income. You need to be able to calculate these items and also understand what they indicate and how to use them.

### **ExamSuccess**

All of the ExamSuccess questions for Performance Measures are in a single category. After completing the reading and the questions in the book for the topic of Performance Measures, open your ExamSuccess study software. Create and complete a Study Session in ExamSuccess consisting of all of the questions in that topic in ExamSuccess. When you have completed the Study Session and scored it, re-study all questions missed by looking up in the book the topics missed and creating a new Study Session from all incorrectly answered questions.

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## 2010 CMA Part 1 Study Plan

### Unit 3: 3 Weeks

### Section C – Cost Management

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This is a large section and so these three weeks are broken up into smaller sections below. How much time you spend on each smaller part depends on your background and experience. However, you should try to complete this Section in no more than 3 weeks.

#### **ExamSuccess**

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

The topics in the Section C – Cost Management are:

#### **Classifications of Costs**

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

#### **Variable and Absorption Costing**

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

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



## 2010 CMA Part 1 Study Plan

### Unit 3: 3 Weeks

### Section C – Cost Management

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

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

#### **Joint Products and By-Products**

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

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

#### **Process Costing**

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

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

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

#### **Overhead Allocation**

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

### **Activity Based Costing**

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

### **Job Order Costing and Life-Cycle Costing**

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

### **Service Cost Allocation**

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

### **Estimating Fixed Costs**

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

### **Operational Efficiency**

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

### **Business Process Performance**

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

## **Review of Section C**

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

We have been recommending all along 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. In addition to doing that, you should review specifically the topics in Section C by creating at least one Study Session consisting of 50 questions from the entire group of Section C – Cost Management questions.



## 2010 CMA Part 1 Study Plan

### Unit 4: 2 Weeks

### Section D – Internal Controls

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This is not a numerical section. Rather, this is a theoretical section that relates to internal controls and internal audit.

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

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

This section also covers the internal control issues related to computer systems. You need to be familiar with the specific terminology and issues of information systems.

#### **ExamSuccess**

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The topics in the Section D – Internal Controls are:

#### **Risk Assessment, Controls and Risk Management**

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

#### **Internal Auditing**

The functions of the internal audit activity are discussed.

#### **Systems Control and Security Measures**

Computer processing of data presents unique control challenges. This section discusses those challenges and means of addressing them. Internet security and contingency planning are also included in this topic.



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

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In the Professional Ethics section, you will find the IMA's Statement of Ethical Professional Practice in its entirety. You will need to know this statement very well in order to be able to quote the relevant portion(s) of it and be able to apply it to the situation presented by giving the specifics of actions to be taken. This will need to be very explicit; ethics is not a topic that you can bluff your way through. Ethical considerations could also be integrated with any question on any topic.

### **ExamSuccess**

After completing the reading in the book, open your ExamSuccess study software and answer the questions on Ethics.



## 2010 CMA Part 1 Study Plan Unit 6: 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.

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

During the final week or two before your exam, create several Exam Simulations in ExamSuccess. Each of these Exam Simulations will contain 100 multiple choice questions selected randomly from the entire question base in approximately the same distribution as the questions will be on the real exam. For example, if a particular major section will account for 25% of the questions on the real exam, 25% of the questions on the simulation exam will also come from that section. The simulation exams will be timed for 3 hours, so set aside a three-hour period when you will not be interrupted for taking each test. You need to become accustomed to sitting for three hours in one place and answering multiple choice questions on the computer. The actual exam will be a four-hour exam and will consist of 100 multiple choice questions and two essay questions.

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

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