

Welcome to the CMA Program

The Institute of Management Accountants is dedicated to excellence within the management accounting profession. The Certified Management Accountant (CMA) designation was developed in 1972 to provide an objective measure of an individual's knowledge and competence in the field of management accounting; only the CMA program recognizes the unique proficiencies required for success in this challenging profession.

As you read through this material, you will learn more about our CMA program. Visit our website at www.imanet.org for additional resources such as:

- Online Examination Registration Form
- Detailed Outline of Examination Content
- Examination Locations
- Review Courses
- Self-Study Programs
- Suggested Reading List
- Candidate Discussion Groups
- Sample Exam Questions
- Frequently Asked Questions

The CMA program has been designed to meet the evolving needs of business – today and tomorrow. We look forward to helping you achieve excellence as a professional. Certification will confirm your proficiency in your chosen field and your dedication to personal and professional growth.

If you have any questions, please contact us at:

1-800-638-4427 or 201-573-9000

Fax: 201-474-1606

E-mail: cmacfm@imanet.org

Introduction

The purpose of this handbook is to provide information on the requirements for CMA certification, including registration procedures, scheduling exams, and the examination process itself. The handbook also includes an overview of the CMA exam content and IMA's Standards of Ethical Conduct for Members.

Board of Regents and Staff

The Board of Regents is a committee of the Institute of Management Accountants (IMA) with overall responsibility for evaluating and validating CMA applicants' credentials; developing, administering, and grading the CMA examinations; and administering the continuing education requirements for participants. The Board consists of between twelve and fifteen Regents who are appointed by the president of the IMA to serve three-year terms. Members of the Board are practitioners and educators in the field of management accounting and financial management.

The Institute of Certified Management Accountants (ICMA) was created by IMA for the purpose of developing and administering the CMA program.

The ICMA staff consists of several CMAs and/or CFMs and administrative personnel who are responsible for implementing the overall responsibilities of the Board of Regents.

Examination Parts Required

Candidates for CMA certification must complete four examination parts: Part 1 – Business Analysis, Part 2 – Management Accounting and Reporting, Part 3 – Strategic Management, and Part 4 – Business Applications. Please note that you must complete the first 3 exams before registering for Part 4. An overview of the examination parts is on pages 14 -

17. A detailed Content Specification is available on our website at www.imanet.org.

Waiver for Part 1

Recognizing that successful completion of the U.S. CPA and other comparable designations demonstrates a candidate's knowledge and competence in the basic tools of business analysis, the ICMA Board of Regents will grant such candidates credit for Part 1 of the CMA examination. To qualify for this waiver, the ICMA needs direct verification from the issuing organization. The candidate is responsible for requesting that this verification be sent directly to ICMA. In addition, the candidate must pay the waiver fee. (A list of acceptable designations as well as a fee schedule can be found at www.imanet.org).

Examination Format

The CMA examination is given in a computer-based format. Parts 1, 2, and 3 examinations are 100% objective and consist of carefully constructed multiple-choice questions that test all levels of cognitive skills. Part 4 of the CMA examination consists of business-oriented essays and problems. Both written and quantitative responses are required. All topics in the content specification can be tested in this capstone exam. Certain additional topic areas including organization management, behavior, and ethics, are tested *exclusively* in this fourth examination part.

The exams are offered at an extensive network of Thomson Prometric Testing Centers located throughout the U.S. and internationally. In the U.S. the exams are offered daily except Sundays and holidays. Internationally, exam centers are available according to local customs. An up-to-date listing of all Prometric Testing Centers can be found at Prometric's website www.prometric.com. For parts 1, 2, and 3, you will receive a score report before leaving the testing center. Results for part 4 will be mailed approximately four to eight weeks after the test.

Registering for an Exam

You can register for an exam by:

- Calling 800-638-4427. Have your credit card available.
- Filling out an on-line registration at www.imanet.org using a credit card.
- Mailing a registration form with credit card information or a check payable in U.S. funds. Our mailing address is 10 Paragon Dr., Montvale, NJ 07645.
- Faxing a registration form to 201-474-1600 with credit card information.

Note: You must be a member of IMA to be eligible for the CMA program. For membership information and certification entrance requirements, visit www.imanet.org.

You should file the registration form approximately six weeks before you wish to take an exam as this will allow sufficient time for you to receive your authorization letter and schedule a convenient appointment with a Prometric Testing Center. For parts 1, 2, and 3, you will be assigned a 120-day authorization period in which to take your exam. This authorization period will begin shortly after your registration is recorded by ICMA. Part 4, Business Applications, can be taken only during the second month of each calendar quarter, i.e., February, May, August, and November. When you register for Part 4, your authorization period will be the next available testing month.

You may register for one part at a time or you may register for multiple parts. You will be required to take all the multiple-choice parts that you register for within the same 120-day authorization period. Therefore, if you wish to schedule your exam preparation over several months, you should register separately for each part of the exam in accordance with your study plans.

Scheduling an Appointment for an Exam

U.S. Candidates:

Once you have received authorization from ICMA, it is your responsibility to schedule your appointment at a Prometric Testing Center within the stated time period by visiting www.prometric.com or calling 800-479-6370. Detailed instructions are provided by ICMA at the time your authorization letter is mailed. You should make an appointment at your earliest convenience as ICMA is not responsible if you delay scheduling and there are no longer appointments available within your authorization period. Please be aware that Saturdays fill quickly and you may not be able to get a Saturday appointment. You will be given a confirmation number at the time you schedule an appointment; you should make a note of this number.

Cancellation/ Rescheduling of an Appointment

If you find that you are unable to keep a scheduled appointment at a Prometric Testing Center, you must cancel no later than **three business days before the appointment**. To cancel an appointment, have your confirmation number ready and visit www.prometric.com or call 800-479-6370, Monday through Saturday. Once you have cancelled an appointment, you must wait 72 hours before calling to reschedule. If you do not comply with this cancellation policy, you will be considered a “no-show” and you will need to reregister with ICMA and repay the examination fee.

International Candidates:

Special instructions are mailed to international candidates at the time authorization letters are mailed. You can schedule, cancel, and reschedule appointments at www.prometric.com or by contacting the appropriate Regional Registration Center. Cancellation must be made **at least by noon five business days prior to your appointment**. Failure to comply with the

cancellation policy will result in loss of fees and you will need to reregister with ICMA and repay the examination fee.

Examination Fees

Please see the enclosed Examination Fees insert or visit the website at www.imanet.org and click on the Certification section.

- **Students** There is a reduced examination fee program to encourage students attending accredited U.S., Canadian, and Mexican universities to take the exams. Eligible students may take four examination parts at a discount of 50% from the regular fee. **These discounts must be used within the year following application or they will be forfeited.** To qualify for the student discount, you must apply to the ICMA while enrolled in school, be enrolled for at least six credit hours in the current term, and provide the name of an individual who can verify your student status. Eligible students are also exempt from the Credentialing fee.
- **Faculty** Full-time faculty members teaching at accredited U.S., Canadian, and Mexican universities are permitted to take the exam one time at no charge. To qualify, faculty must submit a letter on school stationery affirming their full-time status. For any examination parts that must be retaken, the fee is 50% of the regular part fee.

Credit Policy

- In general, fees paid to the ICMA are not refundable. The Credentialing Fee and the Waiver Fee are not eligible for refund or credit.
- If you request to withdraw from an examination within 30 days of registration, you may receive a non-refundable credit for the examination fee less a \$25 processing charge. This credit may be used against a future transaction for a period of six months.

- If you do not take an examination within the authorized time period (and did not miss a scheduled appointment), you will receive a non-refundable credit for 50% of your exam fee that is good for six months and can be applied to future registrations. Students and faculty who registered at a discounted fee will receive no credit; however, the discounts will be restored for future use.
- If you miss a scheduled appointment at a Prometric Testing Center, you will be withdrawn from the examination part and receive no credit or refund.

ADA Compliance

The Institute of Certified Management Accountants and Prometric Testing Centers are fully compliant with the Americans with Disabilities Act (ADA). Applicants planning to take the examinations who have special needs as covered by the ADA should notify the ICMA at least two months before they plan to take the exams.

General Instructions for Exam Taking

- You should arrive at the Prometric Testing Center **30 minutes** before the time of your appointment. If you are more than 30 minutes late for your scheduled appointment, you may lose your scheduled sitting and be required to reschedule at a later date at an additional cost.
- You will be required to sign the Prometric Log Book when you enter the center.
- You may wish to present your authorization letter at the time of testing, however, it is not required for admission.
- For admission to the examination, you will be required to present **two** forms of identification, one with a photograph, both with your signature. Approved photo IDs are a passport, driver's license, military ID, credit card with photo, or company ID. Student IDs are **not** acceptable. You will **not** be permitted into the examination without proper identification.

- Small lockers are available at the test centers for personal belongings. Items such as purses, briefcases, and jackets will not be allowed in the testing room.
- Small battery or solar powered electronic calculators restricted to a maximum of six functions - addition, subtraction, multiplication, division, square root, and percent - are allowed. The calculator must be non-programmable and must not use any type of tape. Memory must erase when the calculator is turned off. Candidates will **not** be allowed to use calculators that do not comply with these restrictions.
- Candidates will be provided with scrap paper which will be counted by the test center personnel when given to candidates and will also be counted when collected from candidates. Pencils are provided by the testing center.
- The staff at the Prometric Testing Center is not involved in the development of the examination or the procedures governing the evaluation of your performance. Questions or comments on the examination content or performance evaluation should be directed only to the ICMA.
- At the beginning of your test administration, you will be given the opportunity to take a tutorial that introduces the testing screens; the tutorial is not part of your testing time and may be repeated; however, total tutorial time is limited to 15 minutes.
- You will have three hours to complete parts 1, 3, and 4 of the examination, and four hours to complete part 2. Your time remaining will be displayed on the screen.

Examinee Conduct

All candidates are required to sign a statement agreeing not to disclose the contents of the examinations nor remove examination materials from the testing room. All candidates are also required to attest to the authenticity of their credentials and the accuracy of all statements made in their application.

Cheating will not be tolerated, and all instances of suspected cheating will be fully investigated. Examinees who are caught cheating will have their grades invalidated and will be disqualified from future examinations. Cheating includes, but is not limited to, the following: copying answers from another candidate during the exam, using unauthorized materials during the exam, helping another candidate during the exam, removing exam materials from the testing room, divulging exam questions, and/or falsifying credentials.

For those already certified by the ICMA, failure to comply with the non-disclosure policy or the subsequent discovery of cheating will be considered a violation of the Standards of Ethical Conduct for Members and could result in revocation of the certificate.

Grading

Upon completion of parts 1, 2 and 3, your performance results will be displayed on the screen, and you will also receive a printed and embossed copy of your results before leaving the testing center. The results are expressed as a pass/fail grade along with a scaled score. Scaled scores range from 200 to 700, with the passing score set at 500. The raw scores, or number of items correct, are transformed to this scale for the purpose of maintaining uniformity and consistency. All pass/fail scores are final.

The grading of Part 4, Business Applications, is not automated and will be done offline by subject matter experts. Grades will be mailed to candidates approximately 30 days after the end of each testing period. All pass/fail scores are final. In addition, all tests are the property of the ICMA and will not be returned to candidates.

Examination part retakes are permitted, but cannot exceed three times over a twelve-month period. The twelve-month period begins with the date of the first sitting.

Detail of Performance Report

If you do not pass parts 1, 2, or 3, you will automatically receive a Detail of Performance report several weeks after your exam. The report is provided at no additional cost and shows your performance by each major topic area on the exam. Candidates who pass an exam part are not provided with this report. For an additional fee, candidates who do not pass a part of the exam can receive an Advanced Exam Performance Report, which shows performance at a more detailed level.

Examination Awards

Candidates for the CMA are eligible for examination awards based on the total score for all four parts. Those who exercise the option of waiving Part 1 are not eligible to compete for the CMA awards. To qualify for an award, you must (1) pass each of the four parts on the first attempt, and (2) complete all four parts within six months. The awards available are described below.

- Proctor & Gamble sponsors the Gold, Silver, and Bronze Medals. They are awarded to the candidates achieving the top scores on the CMA examination.
- A Student Performance Award is presented to the college student earning the highest scores on the CMA examinations.
- The ICMA Board of Regents presents Certificates of Distinguished Performance to other candidates attaining superior scores.

Candidate E-mail Exchange

There is an e-mail exchange available to all certification candidates. The purpose of this e-mail exchange is to help candidates prepare for the exams by providing a forum to ask questions and motivate each other to take and pass the exams. As a "virtual study group" candidates can encourage each

other to study and schedule their exams; they can form local study groups; and ask for help with topics on the exam. Discussion about actual exam questions is prohibited, but an open discussion of the topics covered on the content specification outline is encouraged.

Other Candidate Resources

The CMA Resource Guide, which was prepared by the ICMA, explains the test-taking process and the types of questions on the exam. It also includes an annotated content specification with references to relevant textbooks, as well as sample questions. You can order this publication for a fee by calling 800-638-4427 or sending an email to orders@imanet.org.

This resource is not considered sufficient for complete exam preparation. For a listing of self-study material published by independent vendors visit our website.

Retaining Exam Credits

Certification candidates have four years to complete all four parts of the CMA. The time period begins with the first passed exam part. If all four parts are not successfully completed within four years, the parts that were passed more than four years ago will expire.

Continuing Education Requirement

Upon completion of all four parts of the CMA exam, you will be required to complete 30 hours of continuing education annually. Reporting of continuing education is done in conjunction with the annual renewal of IMA membership.

Credit will be given for subjects relevant to a management accountant's or financial manager's career development and related to employer needs. The ICMA grants credit for programs sponsored by education organizations, employers, business organizations, and professional and trade associations. Programs may be in the form of college courses,

seminars, workshops, technical meetings, self-study packages, or on-line courses. Further details can be found at www.imanet.org.

Candidate Confidentiality

The ICMA makes every effort to maintain candidate confidentiality. Individual score information is not released to third parties without written authorization from the candidate. Candidate participation in the program is also kept confidential except where it is considered to be beneficial to the candidate, e.g., mailing lists for CMA review course providers. A listing of recently certified individuals is also published on our website.

Experience Requirement

Candidates for the CMA Certificate must complete two continuous years of professional experience in management accounting and/or financial management. This requirement may be completed prior to or within seven years of passing the examination. Teachers can meet this requirement if the majority of their course load is in accounting and corporate financial management courses above the introductory level. Professional experience is expected to be gained in full-time employment. However, continuous part-time positions of 20 hours per week meeting the definition of qualified experience will count toward this requirement at a rate of one year of experience for every two years of part-time employment.

Qualifying experience consists of positions requiring judgments regularly made employing the principles of management accounting and financial management. Such employment includes financial analysis, budget preparation, management information systems analysis, financial management, management accounting, and auditing in government, finance or industry; management consulting; auditing in public accounting; research, teaching or consulting related to management accounting or financial management. Employment requiring the occasional application of

management accounting principles such as in computer operations, sales and marketing, manufacturing, engineering, personnel, and general management will not satisfy this requirement. Similarly, internships and trainee, clerical, or non-technical positions do not provide appropriate experience to fulfill this requirement.

CONTENT SPECIFICATION OVERVIEW

The percentages below show the relative weight range given to each topic in each part. The level designations indicate the depth and breadth of topic coverage in each part. A detailed content specification outline can be downloaded from our website in the certification section.

Part 1

Business Analysis

A. Business Economics

(25%) (Level B)

Factors affecting the individual firm including demand, supply, and elasticity; consumption of goods; production factors and their cost; market structures and pricing; issues in macroeconomics such as inflation, employment, and economic growth; GDP; the nature of business cycles; fiscal and monetary policies.

B. Global Business

(20%) (Level B)

Comparative advantages of trade; free trade and protectionism; barriers to international trade; nature and theory of foreign exchange; international capital investments; financing international trade; legal and ethical issues.

C. Internal Controls

(15%) (Level A)

Internal control environment, procedures, and standards; responsibility and authority for internal auditing; types of audits; assessing the adequacy of the accounting information system.

D. Quantitative Methods

(15%) (Level B)

Quantitative methods and techniques including regression analysis, learning curves, linear programming, sensitivity analysis, network analysis, probability concepts, expected

values, decision trees, simulation, and other appropriate aids to decision making.

E. Financial Statement Analysis

(25%) (Level B)

Development of accounting standards; financial statement assurance; interpretation and analysis of financial statements including ratio analysis and comparative analysis; limitations of ratio analysis; market value vs. book value; international issues.

Part 2

Management Accounting and Reporting

A. Budget Preparation

(15%) (Level C)

Planning process, purposes of planning and budgeting; budgeting concepts; annual profit plans and supporting schedules; types of budgets, including activity-based budgeting, kaizen budgeting, project budgeting, and flexible budgeting.

B. Cost Management

(25%) (Level C)

Cost concepts, flows and terminology; alternative cost objectives; cost measurement concepts; cost accumulation systems including job order costing, process costing, and activity-based costing; overhead cost allocation.

C. Information Management

(15%)(Level A)

Nature of management and accounting information systems; systems development and design; techniques and terminology applicable to the development of computer-based accounting information systems; networks and client/server systems; electronic commerce; ERP systems.

D. Performance Measurement

(20%) (Level C)

Factors to be analyzed for control and performance evaluation including revenues, costs, profits, and investment in assets; variance analysis based on flexible budgets and standard costs; responsibility accounting for revenue, cost, contribution and profit centers; balanced scorecard; quality considerations.

E. External Financial Reporting

(25%) (Level B)

Principal financial statements and their purposes; limitations of financial statement information; asset and liability recognition and measurement; equity recognition and measurement; revenue, expenses, extraordinary items, and earnings per share; the SEC and its reporting requirements; the annual report.

Part 3

Strategic Management

A. Strategic Planning

(15%) (Level B)

Strategic and tactical planning; manufacturing paradigms such as JIT, MRP, and theory of constraints; value chain analysis; benchmarking; ABM and continuous improvement.

B. Strategic Marketing

(15%) (Level A)

Strategic role of marketing; market segmentation; managing products and services; pricing strategies; promotional mix and distribution strategy.

C. Corporate Finance

(25%) (Level B)

Types of risk; measures of risk; portfolio management; options and futures; capital instruments for long-term financing; dividend policy; factors influencing the optimum

capital structure; cost of capital; and managing and financing working capital.

D. Decision Analysis

(25%) (Level C)

Logical steps to reach a decision; relevant data concepts; cost-volume-profit analysis; marginal analysis; cost-based pricing; income tax implications for operational decision analysis.

E. Investment Decision Analysis

(20%) (Level C)

Cash flow estimates; time value of money; discounted cash flow concepts; net present value; internal rate of return; non-discounting analysis techniques; income tax implications for investment decision analysis; ranking investment projects; risk analysis; real options.

Part 4

Business Applications

(Level C)

All topics from parts 1, 2, and 3, plus organization management, organization communication, behavioral issues, and ethical considerations.

A detailed content spec is available from the ICMA or it can be downloaded from on our website www.imanet.org.

STANDARDS OF ETHICAL CONDUCT FOR MEMBERS

Practitioners of management accounting and financial management have an obligation to the public, their profession, the organization they serve, and themselves, to maintain the highest standards of ethical conduct. In recognition of this obligation, the Institute of Management Accountants has promulgated the following standards of ethical conduct for its members. Members shall not commit acts contrary to these standards nor shall they condone the commission of such acts by others within their organizations.

Competence

Members have a responsibility to:

- Maintain an appropriate level of professional competence by ongoing development of their knowledge and skills.
- Perform their professional duties in accordance with relevant laws, regulations, and technical standards.
- Prepare complete and clear reports and recommendations after appropriate analyses of relevant and reliable information.

Confidentiality

Members have a responsibility to:

- Refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so.
- Inform subordinates as appropriate regarding the confidentiality of information acquired in the course of their work and monitor their activities to assure the maintenance of that confidentiality.
- Refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties.

Integrity

Members have a responsibility to:

- Avoid actual or apparent conflicts of interest and advise all appropriate parties of any potential conflict.
- Refrain from engaging in any activity that would prejudice their ability to carry out their duties ethically.
- Refuse any gift, favor, or hospitality that would influence or would appear to influence their actions.
- Refrain from either actively or passively subverting the attainment of the organization's legitimate and ethical objectives.
- Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
- Communicate unfavorable as well as favorable information and professional judgments or opinions.
- Refrain from engaging in or supporting any activity that would discredit the profession.

Objectivity

Members have a responsibility to:

- Communicate information fairly and objectively.
- Disclose fully all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.

Resolution of an Ethical Conflict

In applying the standards of ethical conduct, members may encounter problems in identifying unethical behavior or in resolving an ethical conflict. When faced with significant ethical issues, members should follow the established policies of the organization bearing on the resolution of such conflict. If these policies do not resolve the ethical conflict, such members should consider the following courses of action.

Discuss such problems with the immediate superior except when it appears that the superior is involved, in which case the

problem should be presented initially to the next higher managerial level. If a satisfactory resolution cannot be achieved when the problem is initially presented, submit the issues to the next higher managerial level. If the immediate superior is the chief executive officer, or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. Contact with levels above the immediate superior should be initiated only with the superior's knowledge, assuming the superior is not involved. Except where legally prescribed, communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate.

Clarify relevant ethical issues by confidential discussion with an objective advisor (e.g., IMA Ethics Counseling service) to obtain a better understanding of possible courses of action.

Consult your own attorney as to legal obligations and rights concerning the ethical conflict.

If the ethical conflict still exists after exhausting all levels of internal review, there may be no other recourse on significant matters than to resign from the organization and to submit an informative memorandum to an appropriate representative of the organization. After resignation, depending on the nature of the ethical conflict, it may also be appropriate to notify other parties.

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