



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 both exam parts 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 17-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. In My Studies you will find the PassMap, an interactive step-by-step study guide that you can use along with the Study Plan to track your progress through the study material

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 PassMap 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 study materials 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 from any device or as an app that can be used offline on iPhones, iPads, iPod touches, and Android phones and tablets.
  - Practice essay questions, available in ExamSuccess Online, 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 completing each major Section (A, B, and so forth).

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

Information on use of the mock exams is provided in the Comprehensive Review in the last unit.

### 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 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 access page in My Studies next to the textbook 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 in place of the previous version 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 how 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 and learning 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 for downloading in the Flash Cards area of the access page in My Studies. 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 access page.

### How to Use the HOCK Videos

If your purchase included videos, you will find links to the videos as well as to the associated audios on the access page 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 to supplement 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.**

Each topic in the videos/audios should be used after reading the topic in your textbook. This Study Plan will guide you in which videos/audios to use at each point in your reading.

### How to Use ExamSuccess Multiple-Choice Questions

The multiple-choice questions in ExamSuccess should be used to practice using the concepts you have studied in your book. The questions should be used as you progress through the book. Each topic's questions in ExamSuccess should be answered after reading the topic in your text-book. This Study Plan will guide you in which questions to answer at each point in your reading.

**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 two formats, and candidates with access to ExamSuccess have access to both formats at no additional cost:

- **ExamSuccess Online** can be used from any computer or mobile device that is connected to the Internet, and
- The **HOCK CMA Prep mobile app by Appitur®** can be used offline on iOS and Android mobile devices.

ExamSuccess Online and the HOCK CMA Prep mobile app by Appitur® use exactly the same multiple-choice questions and the questions are organized according to the same Section and Subsection names.

**Note:** If you use ExamSuccess in both formats, your performance is **not** synced between the two formats.

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

**Note:** It is very important to answer the multiple-choice questions in 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 assigned questions as soon as you complete each block of assigned reading.

### Using ExamSuccess Online

**ExamSuccess Online** is available in My Studies on the access page. To use it, create and complete a Study Session consisting of **all** the multiple-choice 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 two choices of Study Sessions to create:

- 1) Select your own mix of questions from the topics in Section [*Section letter and name*].
- 2) 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.

**Note:** If you have a saved session in progress and click on "Study Session," your saved session will open automatically. If you want to start a new and different session, you will need to end the session in progress. You cannot have two different sessions of the same session in progress at the same time.

As you answer each question in a Study Session, click the "See Answer" button below the question. You will receive immediate feedback for your answer.

- If you answered the question correctly, you will see a green checkmark next to your answer.
- If you answered the question incorrectly, you will see a red "x" next to your answer.

Regardless of whether you answered the question correctly or incorrectly, you will see answer explanations for all four answer choices, the correct answer and the three incorrect answers. Once you have viewed the answers, 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. Questions answered incorrectly will be shown first, followed by questions answered correctly. You can create another Study Session from the same Section and topic after you have ended your current Study Session.

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 have scored at least 85% correct and preferably over 90% correct before moving on to the next topic.

**Note:** When you use the option to select your own mix of questions (the first option), questions are selected and shown in the following order: 1) unseen questions, 2) questions not yet answered correctly, and finally 3) questions answered correctly.

The number of questions answered correctly and the total number of questions in the topic is shown to the right of the topic, for example "12 correct out of 20."

Therefore, after you have answered **all** the questions in a given topic (thus you have seen them all) and have ended the session, you can create a new Study Session from questions not answered correctly by requesting another Study Session on the same topic consisting of the number of questions not answered correctly. Using the example of "12 correct out of 20," a Study Session created consisting of 8 questions will present you with questions you have not yet answered correctly.

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

As you complete each full Section (A, B, and so forth), a review in ExamSuccess should be part of your overall review of the Section. Review Sessions are available for each Section and for multiple Sections cumulatively.

### Using ExamSuccess in the HOCK CMA Prep Mobile App by Appitur®

The HOCK CMA Prep mobile app is available to download from the app store for your mobile device. If you already have access online to ExamSuccess, you do not need to re-purchase the exam parts you already have access to. After downloading the app, log in using your HOCK email address and password in order to access the exam parts you have already purchased. 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.

**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.** These requirements cannot be met using the mobile App.

### 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.

### Updates

HOCK is always improving ExamSuccess by adding new questions and improving answer explanations to existing questions.

- 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 Prep mobile app by Appitur<sup>®</sup> take place automatically through the App Store. You do not need to take any action.

### Final Review

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

- If you are using ExamSuccess Online, use the CMA Part 2 Practice Exams that you will find at the end of the Section listings on the ExamSuccess Online home page.
- If you are using the HOCK CMA Prep mobile app by Appitur<sup>®</sup>, choose Exam on the setup screen.

In both 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).<sup>1</sup> 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.<sup>2</sup>

### How to Use the Essay Questions

Practice essay questions are provided in ExamSuccess to help you become comfortable with the format of essay questions and with answering essay questions on-screen. **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 along with the multiple-choice questions in 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.

The essay questions for each Section should be used as you complete that Section. This Study Plan will guide you in when to answer the essays for each Section.

The essay questions are available in ExamSuccess Online in the Essay Questions area of the access page in My Studies. Click the button for "Use ExamSuccess Online" and then select an Essay Session. The Essay Session is the fourth item in the list of choices underneath each Section heading. You can enter your answers for each Section's essay questions online and then compare

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<sup>1</sup> If you are using the HOCK CMA Prep App by Appitur<sup>®</sup>, you can choose to take a shorter exam with questions drawn from all the Sections.

<sup>2</sup> If you have the HOCK "You Pass or We Pay" Guarantee, to be eligible you must 1) Watch 95% of the videos, 2) Answer 90% of the MCQs correctly, and 3) Pass one mock exam with a 70% score (first attempt only) or two whole-Part review sessions with an 80% score (multiple attempts allowed). You must use ExamSuccess Online for the question requirements.



your answers with the suggested answers. The answers for all the essay questions in the Section (if more than one) will be presented when you have completed all of the essay questions for the Section. Where a video explanation is available, a button titled "Watch Video Explanation" is above the answer.

Most of the practice essay questions and their answers have been provided by the ICMA. The ICMA, the Institute of Certified Management Accountants (not the IMA), is the entity that is responsible for administering the CMA exams and for certifying candidates who fulfill all the requirements for certification.

The CMA 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.<sup>3</sup> Accordingly, none of the practice essay questions will require the use of a spreadsheet to answer.

### **How to Use the Mock Exams**

Two mock exams, with answer explanations, are available in ExamSuccess Online. The mock exams 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.

Each mock exam 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 after you complete the mock exam.

After you have completed the mock exam, 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.

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<sup>3</sup> However, if the ICMA does ask an essay question on the exam that requires columnar work such as 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.

**Other Information**

Three additional documents are available for downloading in My Studies. They are:

- **Sample Grading**, an example of how a former exam question was graded by the ICMA, is available in the Essay Questions area of the access page. 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.**
- **HOCK's Exam Tips** is a document prepared by HOCK that contains some tips for the multiple-choice portion and the essay portion of the exam and some general strategies for exam day. It is available in the Final Tips area of the access page in My Studies.
- **Test-Taking Strategies** is also available in the Final Tips area of the access page. This document was supplied by the ICMA and contains some suggestions for how to approach the exam.

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, the other components 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. In the books, the topics are identified with the same alpha-numeric identification used for topics in the Learning Outcome Statements so candidates can tie the material in the books to the requirements in the Learning Outcome Statements.

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

## Section A, Financial Statement Analysis Overview

Section A, *Financial Statement Analysis*, constitutes 20% of the exam. It contains four major topics:

- A.1. Basic Financial Statement Analysis
- A.2. Financial Ratios
- A.3. Profitability Analysis
- A.4. Special Issues

**Note:** Several of the topics in *Financial Statement Analysis* will require you to have a good understanding of financial accounting and external financial reporting. The topic of *External Financial Reporting Decisions* is covered in the HOCK textbook for the CMA Part 1 exam. However, coverage there of accounting and external financial reporting is not exhaustive because the CMA exam and thus these study materials assume a prior knowledge of accounting.

### A.1. 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 present each item on a 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 the following topics and answer the questions in the book for:

- Introduction to the Financial Statement Analysis Section
- A.1. 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 multiple-choice study questions in ExamSuccess for:

- Comparative Financial Statement Analysis

**A.2. Financial Ratios, A.3. Profitability Analysis, and A.4. Special Issues**

*Financial Ratios* covers analyzing a company's financial statements to draw some conclusions about how well the company is doing. *Profitability Analysis* expands on the understanding of profitability measures. *Special Issues* covers some advanced topics, including foreign exchange fluctuations and inflation and their impacts on financial statement analysis, accounting changes and error corrections, the book value versus market value, economic profit versus accounting profit, and earnings quality.

Your study of ratios and other measures used in financial statement analysis will require you to learn all of the different ratios and measures, 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 topics of Financial Ratios, Profitability Analysis, and Special Issues consist of seven broad groups:

- 1) Liquidity, including ratios using current assets and current liabilities
- 2) Leverage, including capital structure, solvency, and earnings coverage ratios
- 3) Activity, including accounts receivable, inventory, and accounts payable measures
- 4) Market, including book value per share, market-to-book ratio, earnings per share, price/earnings ratio, and various shareholder return ratios
- 5) Profitability ratios and profitability analysis, including profit percentages, return on assets, return on equity and additional interpretation and analysis of profitability
- 6) Ratios Summary and Example and Benefits and Limitations of Ratio Analysis
- 7) Special issues

**Financial Ratio Analysis Introduction, Liquidity Ratios**

**Textbook** Read the following topics and answer the questions in the book for:

**Volume 1:**

- A.2. Financial Ratio Analysis
- Liquidity Ratios

**Videos/Audios:**

Watch/listen to:

- Introduction to Ratio Analysis
- Liquidity Ratios

**ExamSuccess:**

Answer **all** of the multiple-choice study questions in ExamSuccess for:

- Financial Statement Analysis Basics, Liquidity Ratios

**Leverage, Capital Structure, Solvency, and Earnings Coverage Ratios**

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

**Activity Ratios**

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

**Market Ratios**

- Textbook Volume 1:** Read the following topic 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 multiple-choice study questions in ExamSuccess for:  
 Market Ratios

**Profitability Ratios and Profitability Analysis**

- Textbook**  
**Volume 1:** Read the following topics and answer the questions in the book for:
- Profitability Ratios
  - A.3. Profitability Analysis
- Videos/Audios:** Watch/listen to:
- Profitability Ratios
  - Profitability Analysis
- ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:
- Profitability Ratios and Profitability Analysis

**Ratios Summary and Example, Benefits and 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 review the interpretation of the ratios that follows.
- You will find an Excel spreadsheet on the CMA Part 2 access 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 Benefits and 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.

#### **A.4. 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**                      Read the following topic and answer the questions in the book for:  
**Volume 1:**                       Special Issues

**Videos/Audios:**            Watch/listen to:

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

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

#### **Section A Practice Essay Questions**

You will find the online practice essay questions in ExamSuccess Online. 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 Guide" in the Practice area of the access page.

Many of the essay questions also have video answers. If a video answer is available, it is accessible along with the text answer.

Answer all of the essays in the Section A Essay Session in ExamSuccess Online.

## 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 answering at least 25 multiple-choice questions in ExamSuccess from the entire group of *Section A, Financial Statement Analysis* questions or by completing the Review Session available in ExamSuccess Online.<sup>4</sup>

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.

**Note:** For candidates who have access to the Videos, final Review Videos are available by Section to assist with your review. The Final Review Video for Section A is on the access page in My Studies in a separate location below the individual Section videos.

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<sup>4</sup> 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 must answer 90% of the MCQs correctly. **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](http://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](http://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/>.

**Section B, Corporate Finance**

Section B, *Corporate Finance*, constitutes 20% of the exam. It includes seven topics, each of which should consume about 1/7 of your study time in this unit. The seven 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**  Read the **Introduction the Corporate Finance Section**
- Volume 1:**  Read B.1. **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 multiple-choice study questions in ExamSuccess for:
- Risk and Return

**B.2. 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 the following topic and answer the questions in the book for:  
 B.2. 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 multiple-choice 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 the following topic and answer the questions in the book for:  
 Derivatives (in B.2. 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 multiple-choice 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 an annual 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, an annual 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 exam questions will be much easier.

The WACC calculation can be rather complicated when a company has 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 the following topic 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 multiple-choice study questions in ExamSuccess for:

Cost of Capital

**B.3. 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 the following topic and answer the questions in the book for:

**Volume 1:**

B.3. 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 multiple-choice study questions in ExamSuccess for:

Raising Capital

**B.4. Working Capital Management**

*Working Capital Management* encompasses both current asset management and current liability management. You should understand working capital in two different ways: 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 current assets are covered, 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.

**Working Capital Management, Cash Management, Marketable Securities Management**

- Textbook Volume 1:** Read the following topics and answer the questions in the book for:
- Introduction to Working Capital Management
  - 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 multiple-choice study questions in ExamSuccess for:
- Cash and Marketable Securities Management

**Accounts Receivable and Inventory Management**

- Textbook Volume 1:** Read the following topics 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 multiple-choice study questions in ExamSuccess for:
- Accounts Receivable Management
  - Inventory Management

**Short-Term Financing, Working Capital Policy**

- Textbook Volume 1:** Read the following topics 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 multiple-choice study questions in ExamSuccess for:
- Trade Credit
  - Short-Term Bank Loans and Other S-T Financing
  - Working Capital Policy

**B.5. Corporate Restructuring**

*Corporate Restructuring* includes business combinations, takeover strategies and defenses, divestitures, and leveraged buyouts. Valuing a business to establish its price for a business combination is also discussed.

**Textbook** Read the following topic and answer the questions in the book for:  
**Volume 1:**  B.5. Corporate Restructuring

**Videos/Audios:** Watch/listen to:  
 Business Combinations  
 Takeovers and Defenses  
 Divestitures  
 Discounted Cash Flow Valuation

**ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:  
 Corporate Restructuring

**B.6. 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.

**Textbook** Read the following topic and answer the questions in the book for:  
**Volume 1:**  B.6. 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

**ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:  
 International Finance

### **Section B Practice Essay Questions**

Answer all of the essays in the Section B Essay Session in ExamSuccess Online.

### **Review of Section B**

If you have had particular difficulty with a topic or topics in this Section, begin your review by completing a multiple-choice question 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 answering at least 25 multiple-choice questions in ExamSuccess from the entire group of *Section B, Corporate Finance* questions or by completing the Review Session available in ExamSuccess Online.<sup>5</sup>

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.

**Note:** For candidates who have access to the Videos, two Final Review Videos for Section B are available on the access page in My Studies in a separate location below the individual Section videos.

### **Additional Periodic Review**

HOCK recommends that you periodically review all of the topics you have studied to date by using the Random MCQs from Sections A-B Review Session in ExamSuccess Online.

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<sup>5</sup> 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 must answer 90% of the MCQs correctly. **ExamSuccess Online must be used to fulfill this requirement.**



**Section C, Decision Analysis Overview**

Section C, *Decision Analysis*, is 25% of the exam. It has three main parts:

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

**C.1. 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** Read the following topics and answer the questions in the book for:  
**Volume 2:**

- Introduction to Decision Analysis
- The Decision-Making Process
- C.1. 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 multiple-choice study questions in ExamSuccess for:

- Assumptions and Basis of CVP Analysis
- Breakeven Analysis

**Using CVP Analysis in Decision-Making**

**Textbook** Read the following topic and answer the questions in the book for:  
**Volume 2:**

- Other Decisions

**Videos/Audios:** Watch/listen to:

- Other Decisions

**ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:

- Using CVP Analysis in Decision-Making

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

**Marginal Analysis Decisions**

- Textbook** Read the following topic and answer the questions in the book for:  
**Volume 2:**  Marginal Analysis Applications (in C.2. 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 multiple-choice study questions in ExamSuccess for:  
 Make or Buy Decisions  
 Marginal Analysis-Other Decisions

### C.3. Pricing

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  
Volume 2:**

Read the following topics and answer the questions in the book for:

- C.3. Pricing
- Pricing Strategy
- Qualitative Factors in Decision Analysis

**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 multiple-choice study questions in ExamSuccess for:

- Pricing and Pricing Strategy

### Section C Practice Essay Questions

Answer all of the essays in the Section C Essay Session in ExamSuccess Online.

### **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 answering at least 25 multiple-choice questions in ExamSuccess from the entire group of *Section C, Decision Analysis* questions or by completing the Review Session available in ExamSuccess Online.<sup>6</sup>

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.

**Note:** For candidates who have access to the Videos, the Final Review Video for Section C is on the access page in My Studies in a separate location below the individual Section videos.

### **Additional Periodic Review**

HOCK recommends that you periodically review all of the topics you have studied to date by using the Random MCQs from Sections A-C Review Session in ExamSuccess Online.

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<sup>6</sup> 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 must answer 90% of the MCQs correctly. **ExamSuccess Online must be used to fulfill this requirement.**

### **Section D, Risk Management 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.

#### **D.1. Enterprise Risk**

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** Read the following topic and answer the questions in the book for:

**Volume 2:**

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 multiple-choice study questions in ExamSuccess for:

Risk Management

### **Section D Practice Essay Questions**

Answer all of the essays in the Section D Essay Session in ExamSuccess Online.

**Note:** Information on future value calculations is in Volume 2 of the CMA Part 2 textbook in Appendix A, *Time Value of Money Concepts [Present/Future Value]*.

### **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 multiple-choice questions from just that topic or those topics.

In addition to doing that, you should review specifically all the topics in Section D by answering at least 15 multiple-choice questions in ExamSuccess from the entire group of *Section D, Risk Management* questions or by completing the Review Session available in ExamSuccess Online.<sup>7</sup>

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.

**Note:** For candidates who have access to the Videos, the Final Review Video for Section D is on the access page in My Studies in a separate location below the individual Section videos.

### **Additional Periodic Review**

HOCK recommends that you periodically review all of the topics you have studied to date by using the Random MCQs from Sections A-D Review Session in ExamSuccess Online.

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<sup>7</sup> 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 must answer 90% of the MCQs correctly. **ExamSuccess Online must be used to fulfill this requirement.**

**Section E, Investment Decisions Overview**

Section E, *Investment Decisions*, is 10% 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

**E.1. 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 a cash outflow for working capital investment and the after-tax 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.

Relevancy of 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:**

Read the following topics and answer the questions in the book for:

- Introduction to Investment Decisions
- E.1. Capital Budgeting Process Overview
- The Stages in Capital Budgeting
- Terms Used in Capital Budgeting
- The Difference Between Cash Flows and Accounting Profits
- Identifying and Calculating the Relevant Cash Flows
- Depreciation for Income 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 multiple-choice 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 capital budgeting methods 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. The Payback Period and the Discounted Payback Period are covered, as well.

#### Payback Period

**Textbook** Read the following topics and answer the questions in the book for:

**Volume 2:**

- E.2. Capital Investment Analysis 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 multiple-choice study questions in ExamSuccess for:

- Payback Method

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

**Textbook** Read the following topics and answer the questions in the book for:

**Volume 2:**

- 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 multiple-choice study questions in ExamSuccess for:

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



### Internal Rate of Return

- Textbook Volume 2:** Read the following topics and answer the questions in the book for:
- The Importance of the Discount Rate Choice
  - Internal Rate of Return (IRR)
- Videos/Audios:** Watch/listen to:
- Internal Rate of Return.
- ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:
- Choice of Discount Rate, Internal Rate of Return.

### Capital Budgeting Methods – Other Topics

- Textbook Volume 2:** Read the following topics and answer the questions in the book for:
- Advanced Capital Budgeting Topics, as follows:
    - Theoretical Impact of a Project on Market Share Price
    - Incremental Analysis
    - Additional Investment Made During the Project
    - Difficulties with the Different Capital Budgeting Methods
    - Summary of NPV Versus IRR
    - Capital Budgeting and Inflation
    - Summary of Real Versus Nominal Cash Flows and Rates
  - Summary and Review of Relevant Cash Flows
- Videos/Audios:** Watch/listen to:
- Unconventional Projects in Capital Budgeting
  - Inflation in Capital Budgeting
- ExamSuccess:** Answer **all** of the multiple-choice 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:** Read the following topic 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 multiple-choice 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:**

Read the following topics 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*.

**Section E Practice Essay Questions**

Answer all of the essays in the Section E Essay Session in ExamSuccess Online.

### **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 answering at least 25 multiple-choice questions in ExamSuccess from the entire group of *Section E, Investment Decisions* questions or by completing the Review Session available in ExamSuccess Online.<sup>8</sup>

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 E.

**Note:** For candidates who have access to the Videos, the Final Review Video for Section E is on the access page in My Studies in a separate location below the individual Section videos.

### **Additional Periodic Review**

HOCK recommends that you periodically review all of the topics you have studied to date by using the Random MCQs from Sections A-E Review Session in ExamSuccess Online.

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<sup>8</sup> 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 must answer 90% of the MCQs correctly. **ExamSuccess Online must be used to fulfill this requirement.**

## Section F, Professional Ethics Overview

**Note:** Ethics may be tested in conjunction with any other topic area.

*Professional Ethics* in the CMA Part 2 exam is 15% of the exam. It focuses on three main areas:

- 1) F.1. Business Ethics
- 2) F.2. Ethical Considerations for Professionals
- 3) F.3. Ethical Considerations for the organization

An ethics question could be on an ethical matter only, but ethical considerations could also be integrated with any other topic tested on the exam.

You should **memorize** the *IMA 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.

### F.1. Business Ethics

**Textbook**  
**Volume 2:** Read the following topics and answer the questions in the book for:

- F.1. Business Ethics

**Videos/Audios:** Watch/listen to:

- Introduction to Professional Ethics  
 Moral Philosophies in Ethics  
 Values for Ethical Decision-Making

**ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:

- Business Ethics

### F.2. Ethical Considerations for Professionals

**Textbook**  
**Volume 2:** Read the following topics and answer the questions in the book for:

- F.2. Ethical Considerations for Professionals  
 IMA Statement of Ethical Professional Practice  
 **Memorize the IMA Statement of Ethical Professional Practice**  
 Employee Fraud and the Fraud Triangle

**Videos/Audios:** Watch/listen to:

- The IMA Code of Ethics  
 The Fraud Triangle

**ExamSuccess:** Answer **all** of the multiple-choice study questions in ExamSuccess for:

- Ethical Considerations for Professionals

**F.3. Ethical Considerations for the Organization**

**Textbook  
Volume 2:**

Read the following topic and answer the questions in the book for:

- F.3. Ethical Considerations for the Organization
- Influence of Government and Regulations on Ethical business Practices
- Sustainability and Social Responsibility

**Videos/Audios:**

Watch/listen to:

- Ethical Considerations for the Organization
- SMA – Values and Ethics
- Government Influences on Corporate Behavior
- Sustainability and Social Responsibility

**ExamSuccess:**

Answer **all** of the multiple-choice study questions in ExamSuccess for:

- Ethical Considerations for the Organization

**Section F Practice Essay Questions**

Answer all of the essays in the Section F Essay Session in ExamSuccess Online.

### **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 multiple-choice questions from just that topic or those topics.

In addition to doing that, you should review specifically all the topics in Section F by answering at least 25 multiple-choice questions in ExamSuccess from the entire group of *Section F, Professional Ethics* questions or by completing the Review Session available in ExamSuccess Online.<sup>9</sup>

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 Statement of Ethical Professional Practice.** Know what each principle and standard means and be able to apply it to a particular situation.

**Note:** For candidates who have access to the Videos, the Final Review Video for Section F is on the access page in My Studies in a separate location below the individual Section videos.

### **Additional Periodic Review**

HOCK recommends that you periodically review all of the topics you have studied to date by using the Random MCQs from Sections A-F Review Session in ExamSuccess Online.

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<sup>9</sup> 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 must answer 90% of the MCQs correctly. **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 in this Study Plan.

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 instructions for using them are provided with the flash cards.

During the final week or two before your exam, create several Part 2 Practice Exams in ExamSuccess Online<sup>10</sup> or Exams in the HOCK CMA Prep mobile app by Appitur<sup>®</sup>. Each practice exam 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 and will be timed for 3 hours. You can use these sessions to continue to refine your time management and look for any weak areas that you need to study. Be sure to use the questions that you miss as another learning opportunity.

You also have access to two mock exams with new questions in ExamSuccess Online, which you can take after you have completed your review. Like the real exam, the mock exams contain 100 multiple-choice questions and 2 essay scenarios, each with several questions, and you will not get immediate feedback about whether your answer is correct or not. Set aside 4 hours without interruption to complete each mock exam so you can become accustomed to sitting for 4 hours in one place. When you have completed the mock exams, use them as another study tool. Look up in your book the topics where missed questions, and then try answering those questions again.

After you have completed the two mock exams, you can use the Part 2 Practice Exam to continue reviewing questions from all of the topics in Part 2. Keep in mind that you don't need to do this too many times, and eventually the questions will become familiar because the questions are drawn randomly from the whole question database.

**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.

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

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<sup>10</sup> 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 pass one mock exam with a 70% score (first attempt only) or two whole-Part review sessions with an 80% score (multiple attempts allowed). **ExamSuccess Online must be used to fulfill this requirement.**