CIMA Professional Qualification

P1 Syllabus Overview

Created by: Global CGMA University and Academic Center of Excellence
What is the Center of Excellence (COE) about?

We attract, inspire and engage the next generation of CIMA members and CGMAs by increasing awareness among academics and university students through identification of best practices, training, resources and communications, working in partnership with the regions.

Establish consistent global strategy & performance for academic relations that compliments country efforts

Provide partnership & support

Develop best practices & tools

Align priorities & interests

Develop operational efficiency
<table>
<thead>
<tr>
<th>Summary of the Performance pillar - 2019 syllabus</th>
</tr>
</thead>
</table>

### P3: Risk Management
- A: Enterprise risk
- B: Strategic risk
- C: Internal controls
- D: Cyber risks

### P2: Advanced Management Accounting
- A: Managing the costs of creating value
- B: Capital investment decision making
- C: Managing and controlling the performance of organisational units
- D: Risk and control

### P1: Management Accounting
- A: Cost accounting for decision and control
- B: Budgeting and budgetary control
- C: Short term commercial decision making
- D: Risk and uncertainty in the short term

#### What is this pillar about?
- Make the vision a reality
- How do we use costing and budgeting for short-term decision-making?
- How do we monitor and control activity to ensure performance?
- How do we identify, mitigate against and manage risks to the organisation?

Download Syllabus Here
P1 Management Accounting
What changed in P1?

2015 syllabus
P1: Management Accounting

A: Cost accounting systems
B: Budgeting and budgetary control
C: Short-term decision making
D: Dealing with uncertainty in the short term

2019 syllabus
P1: Management Accounting

A: Cost accounting for decision and control
B: Budgeting and budgetary control
C: Short-term commercial decision making
D: Risk and uncertainty in the short term

New: Digital issues in costing
The competency framework reflects our findings on how finance professionals are expected to apply accounting and finance skills within the context of the business/organisations in which they operate.

It also reflects for the first time how technology and a digital mindset will be required to affect and influence their own decisions, actions and behaviours and those of their colleagues within the wider organisation.
P1: Structure and outline

Costing required to support the budgets and decision making (Exam weighting: 30%)

Primary topics

Budgets to translate medium term decisions into actionable short term plans (Exam weighting: 25%)

Short-term decisions to exploit new opportunities to create or preserve value (Exam weighting: 30%)

Use understanding of risk and uncertainty in the short term to improve the quality of budgets and short-term decisions (Exam weighting: 15%)
Exam blueprint
The P1 exam blueprint

• For the first time, under the updated 2019 CIMA Professional Qualification, CIMA is publishing examination blueprints based on the syllabus which set out in detail what is examinable in each of the nine Objective Tests and three Case Study examinations. The Blueprints will be published annually, and provide information about the format, structure and weightings of the assessments.

• The blueprints will only be applicable to exams scheduled under the 2019 Professional Qualification.
Key features of the blueprints

• Updated annually
• 3 documents, one per level
• 4 sections
  – Overview
  – Case study exam business simulation
  – Objective test representative tasks
  – Appendices (formulas etc.)
P1 exam dates

Scheduling of P1 exam under the 2019 PQ will open

P1 exams under the updated Professional Qualification will commence

1 Aug 2019

4 Nov 2019

Link To Timeline
Exam overview

Skill level
Remembering
Understanding
Application

Exam format
Objective test
On-demand
Computerised
60 questions
90 minutes

CIMA will publish updated objective test pass rates every quarter following the release of pass rates for case study exams.

View Pass Rates
Examination purpose

- The Objective Tests assure that learners have acquired the fundamental knowledge, skills and techniques for the role that will be simulated in the culminating Case Study Examination.

- The Objective Tests will cover all areas of the syllabus and will ensure that learning has taken place across the breadth of the syllabus.

- The Objective Tests at the operational level are weighted towards remembering, understanding and application with analysis and evaluation in highly structured scenarios.
“I can” statements

• In the exam blueprint, you will find representative task statements.

• Each statement is a plain English description of what a CIMA finance professional should know and be able to do i.e. “I can…. “.

• The content and skill level determine the language and verbs used in the representative task.

• CIMA will test up to the level of the task statement in the objective test (an objective test question on a particular topic could be set at a lower level than the task statement in the blueprint).

• The task statements in the blueprint are representative and are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested on the Examination. It also should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the test.
A snapshot of the P1 exam blueprint

<table>
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<th>P1: Cost accounting for decision and control</th>
<th>Skill level</th>
<th>Representative task statement</th>
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<td>Lead outcome</td>
<td>Component outcome</td>
<td>Remembering and understanding</td>
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<tr>
<td>Rationales for costing</td>
<td>Definition of costing</td>
<td>✓</td>
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The slides below will list some of these representative task statement.
Topic A – Cost accounting for decision and control

P1 Management Accounting
Summary

• This section is about understanding why costing is done and what it is used for.

• It introduces candidates to the basic building blocks of costing and how to apply them in the costing methods and techniques organisations use.

• In a fast-changing digital world this understanding is critical and can enable candidates to develop their own ways of calculating costs when existing methods are no longer appropriate.

• **Digital costing is introduced in this section.**
# P1A: Cost accounting for decision and control

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
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<tbody>
<tr>
<td>1. Distinguish between the different rationales for costing</td>
<td>a. Define costing b. Distinguish between the rationales for costing</td>
<td>• Inventory valuation • Profit reporting • Cost management and transformation • Decision-making</td>
<td>• This seeks to address the following pertinent questions: • What are reasons for calculating costs? • What types of costs are appropriate for a particular purpose and why?</td>
</tr>
<tr>
<td>2. Apply the main costing concepts to organisations and cost objects</td>
<td>a. Explain the main costing concepts b. Apply costing concepts to different organisations and cost objects</td>
<td>• Cost elements • Costs structure • Cost behaviour • Cost drivers • Costing applied to different types of organisations • Costing applied to digital cost objects</td>
<td>• Examine the basic building blocks of costing and how they apply to different types of organisations and operating contexts (e.g., manufacturing and service sectors). • How has the digital world affected the nature of these building blocks of costing?</td>
</tr>
<tr>
<td>3. Apply costing methods to determine the costs for different purposes</td>
<td>a. Cost accumulation, allocation, apportionment and absorption b. Standard costing c. Variance analysis (without mix and yield variance) d. Activity based costing e. Digital costing</td>
<td>• Trace, classify and allocate costs • Marginal costing • Absorption costing • Price and rate variances • Usage and efficiency variances • Interpretation of variances • Product and service costing using ABC • Advantages of ABC over other costing systems • Features of digital costing</td>
<td>• Investigate how costs are traced, classified, accumulated, allocated, apportioned and absorbed to arrive at the costs of a product, service or other cost object. • Calculate the costs of products or services using various costing methods. • Determine which costing methods are appropriate and why?</td>
</tr>
</tbody>
</table>
Example of representative task from exam blueprint

I can determine why product costs are calculated using different methods for different purposes for different types of organisations.

I can determine the advantages and disadvantages of activity-based costing compared with traditional marginal and absorption costing methods.

I can determine the potential differences and difficulties of costing digital products as compared to costing traditional products.
Resource list
The CGMA cost transformation model is designed to help businesses to achieve and maintain cost competitiveness. It serves as a practical and logical planning and control framework for transforming and managing a business' cost-competitiveness.

The model consists of a set of six co-dependent areas.
Toolkit for management of retail returns

Research carried out by Sheffield University, Cranfield School of Management, and Sheffield Business School in the UK, and funded by CIMA’s academic research programme and the UK government (Department for Transport).

Read Here

Download Toolkit For Free Here
8 key features of the factory of the future
By Paul Gosling
9 October 2018

Strategic innovation, Technology and analytics

Rick Smith, founder of Fast Radius (right), and Alan Amling (left) with UPS talk about the 3D printing program that is being developed at the UPS Supply Chain management campus in Louisville, Kentucky.

Read

Investing in social media influencers
Finance departments will be challenged to measure the value of social media marketing campaigns.

By Katherine Raz and Drew Adamek
1 April 2019

Strategy and innovation, Marketing

Left to right: Influencer Zoë Sugg has more than 10 million followers on Instagram. Food influencer Chun Hong has more than 18,000 Instagram followers. Style influencer Luka Sabbat has 1.7 million Instagram followers.

Read
Digital costing

Digital costing allows to define a target price automatically for thousands of references, through massive processing of detailed data available within the engineering department.

This approach creates new negotiation levers with suppliers and enables cost reduction up to 40% compared to a classic approach.
Digital costing

Cost Management in the Digital Age
Alnoor Bhimani
London School of Economics
November 2011

Accounting for digitally distributed content
Media & Entertainment
2017

How to Calculate Total Lifetime Costs of Enterprise Software Solutions

Download
Read Report
Read Here
Challenges in costing

A smarter approach to cost reduction in the public sector
McKinsey
June 2018

Cost-of-complexity exercise enables better decisions
Journal of Accountancy
January 2019
ESSENTIAL TOOLS FOR MANAGEMENT ACCOUNTANTS
The tools and techniques to support sustainable business success

ACTIVITY-BASED COSTING (ABC)
The activity-based costing process

- Identify activities and activity pools
- Directly trace or estimate costs to activities and cost objects
- Assign costs to activity cost pools
- Calculate activity cost drivers’ rates
- Assign costs to cost objects
- Prepare reports
Activity Based Costing (ABC)

Activity based costing made easy

Overview:

There is nothing difficult or mystical about Activity Based Costing - on the contrary, it is based on simple, common sense concepts and practical methods. It seeks to drive much greater cost understanding across all of an organisation's operations, enabling management to take smarter decisions driving real business benefits through to the bottom line. Yet many who tried lost focus, introducing impractical complexity along with time and cost, into implementations - making them largely unworkable and unsustainable. This course gets back to the basics of ABC principles and demonstrates how it can be practically adopted with a minimum of pain and fuss.
Digital tools for Zero-Based Budgeting (ZBB)

All companies would like to get their new products to market more quickly and below their cost goals. But how?

Read more in Accenture’s research report 2017.

Download  Watch Video
Topic B: Budgeting and budgetary control

P1 Management Accounting
Summary

- Taken together budgeting and budgetary control is one of the means by which the finance function enables and shapes how organisations create and preserve value.

- This section examines the various reasons organisations prepare and use budgets, how the budgets are prepared, the types and sources of data, the technologies used to improve the quality of budgets, how budgets are implemented and the impact on the people who work with the organisation.
# P1B: Budgeting and budgetary control

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</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Distinguish between the different rationales for budgeting</strong></td>
<td>a. Explain the role of budgets b. Distinguish between the different rationales for budgeting</td>
<td>• Planning • Communication • Coordination • Motivation • Control etc</td>
<td>• Why do organisations prepare budgets? • In what ways are the different rationales for preparing budgets compatible with each other? • How do organisations get the most out the budgeting process?</td>
</tr>
<tr>
<td>2. <strong>Prepare budgets</strong></td>
<td>a. Explain forecasting and its relationship with budgeting b. Prepare master budgets c. Conduct what if analysis in budgeting d. Describe the technologies available for improving budgeting</td>
<td>• Time series and trend analysis to forecast sales volumes • Components of master budgets and their interaction with each other • Limiting factors • Stress testing budgets • Big data analytics and budgets • Alternative approaches to budgeting</td>
<td>• What is the process by which budgets are prepared? • What types of budgets are required by organisations? What data do they use and where do they get the data from? How are those budgets prepared and presented? What technologies are available for improving the quality of the budgets?</td>
</tr>
<tr>
<td>3. <strong>Discuss Budgetary control</strong></td>
<td>Discuss: a. The concept of budgetary control b. Human dimensions of budgeting</td>
<td>• Feedback and feedforward control • Flexed budgets • Target setting and motivation • Controllable and uncontrollable outcomes • Dysfunctional behaviours in budgeting • Ethical considerations in budgeting</td>
<td>• What is budgetary control? Describe and discuss how and why the budgetary control system provides feedback and feedforward to the organisation. • What are the behavioural impacts of budgetary control and how are they managed?</td>
</tr>
</tbody>
</table>
Example of representative task from exam blueprint

I can prepare a budget for any account in the master budget based on projections/forecasts and managerial targets.

I can determine the benefits and costs of incremental, zero-based, rolling and activity-based budgets and beyond budgeting approaches to budgeting.

I can determine the ethical implications in budgeting on organisations in the context of a competitive market, a government agency, or subsidiaries.

Download Exam Blueprint Here
Resource list
Forecasting

How to use Excel in seasonal forecasting
Operations managers and analysts must work together to improve forecasting.

By Liam Bastick
16 December 2017

Read Article Here

Improving forecasting at the Home Office
Angela Wilson, ACMA, CGMA, has led an initiative to improve forecasting within the UK government to inform better resource allocation decisions.

By Samantha White
1 May 2017

Performance management, Budgeting, Forecasting

Read Article Here

Angela Wilson, ACMA, CGMA, chief management accountant at the UK Home Office
A methodical approach to budget
Excel’s regression-based capabilities provide an easy way to use historical data to create a budget.

By J. Carlton Collins, CPA
1 February 2018

Read Article Here

How to better connect – and communicate – planning, forecasting and budgeting

By Ken Tysiac and Jack Hagel
10 February 2014

Finance and treasury

Read Article Here
Boot the budget? Why rolling forecasts might make more sense

By Nell Amato
17 May 2013

Finance and treasury

Read Article Here

Moving from budgeting to rolling forecasts

Steve Player, CPA, CGMA, the CEO of the consulting firm The Player Group, suggests that switching to rolling forecasts prompts you to plan better and ask strategic questions.

12 February 2019

Performance management, Forecasting, Budgeting

Watch Video Here
Topics discussed:

- Planning and budget process
- Measure personnel activities to build a performance-based budget
- Establish priorities for spending on capital needs
- Budgeted action plans and initiatives
- Calculating the return on investment for expenditures and headcount increases
- Justify the costs of a department, team, or job function
- High level budget problems
Myriam Madden, FCMA, CGMA, describes how she created a leaner and more effective budgeting process at Historic Scotland.

She realised that the twice-a-year re-budgeting exercise was counterproductive, so she looked to make more targeted changes.
Topic C: Short-term commercial decision making

P1 Management Accounting
Summary

- Organisations cannot foresee every opportunity that might arise in the course of their operations so they need mechanisms by which to identify and take advantage of these opportunities as they arise.

- The primary objective of this section is to guide candidates in how to do this in the short term through effective decision making.

- The finance function supports such decisions (e.g. pricing and product choice) using techniques such as relevant revenue and cost analysis and break-even analysis.

- Candidates are introduced to these techniques and the concepts that underpin the techniques. They are expected to be able to apply the techniques to support short term decision making.
## P1C: Short-term commercial decision making

<table>
<thead>
<tr>
<th>Lead outcome</th>
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<th>Explanatory notes</th>
</tr>
</thead>
</table>
| 1. Describe the main types of short term decisions made by organisations | a. Describe pricing and revenue maximising decisions | • Marginal and full cost recovery for pricing decisions  
• Differences in pricing and revenue maximisation for the short-term and long term  
• Product mix | • Describe the types of short term decisions made by organisations and the circumstances that give rise to them.  
• What do these short term decisions seek to achieve?  
• How important are they to performance of organisations?  
• The emphasis is on both revenue and costs. |
| | b. Describe product decisions | | |
| 2. Explain the underlying concepts used for short term decision making | a. Explain the objectives of decision making | • Implications of commercial decision making in the short term  
• Relevant revenues  
• Relevant costs  
• Difference with profit reporting | • What are the objectives and underlying concepts that are used to guide short-term decision making and why?  
• Distinguish between those concepts of revenue, costs and information from other concepts. |
| | b. Explain the underlying concepts of short term decision making | | |
| 3. Apply appropriate techniques to support short term decision | Apply the following to support short term decision making | • Make or buy decisions  
• Discontinuation decisions  
• Multi-product break even analysis  
• Use of data and technology to analyse product mix decisions  
• Ethical considerations in short term decision making | • Use data (financial and non-financial) and the appropriate concepts and techniques to support decision making to achieve organisational objectives of value creation and preservation. |
| | a. Relevant cost analysis | | |
| | b. Break-even analysis | | |
| | c. Product mix decisions with constraints | | |
| | d. Data & Technology | | |
Example of representative task from exam blueprint

I can prepare a multi-product break-even analysis, including break-even and profit/volume charts, contribution/sales ratios and margin of safety.

I can perform simple product mix analyses in situations where there are limitations on product / service demand and one other production constraint.

I can use results of graphical methods and simultaneous equations of two variable problems to identify optimal solutions.

Download Exam Blueprint Here
Resource list
Decision-making: The determining factor for business success

Good decision-making relies on management accountants, says CIMA President David Stanford, FCMA, CGMA.

1 May 2018

People and leadership skills, Soft skills, Future of finance

Tips for making faster decisions
How businesses and finance departments can speed up the process.

By Lea Hart
17 October 2018

Strategy and innovation
Case study – Apex Parks Group

Like many midsize, privately owned businesses, Apex Parks Group, which owns 16 amusement and water parks and family entertainment centres across the US, generates an abundance of financial and operational data that readily tell how the company is doing. What's more difficult to figure out is why the company is performing the way it is.

Read Case Study
Classroom business game

Situated on the French Riviera, ‘Paradise Park’ is one of Europe’s biggest Theme Parks. As a Management Accountant, you have been appointed to the park’s decision making panel to agree the design and build of a new ride. The new ride could be anything you like, but you must agree with your colleagues on what the new ride will be and come up with an initial design on the flip-chart provided.
Topic D: Risk and uncertainty in the short term

P1 Management Accounting
Summary

• Budgets and decisions focus on the future.

• This introduces uncertainties and risks that need to be identified, assessed and managed.

• The aim of this section is to help candidates identify, assess and manage the risks and uncertainties associated with the short term.
### P1D: Risk and uncertainty in the short term

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</table>
| 1. Apply basic risk management tools in the short term. | a. Explain nature of risk and uncertainty in short term.  
b. Apply basic sensitivity analysis to budgeting and short-term decision-making. | • Stress testing  
• Sensitivity and what-if analysis  
• Probability distributions  
• Decision trees | • What types of risks and uncertainties do organisations face when preparing and implementing budgets and when making short-term decisions?  
• How are those risks and uncertainties identified, assessed and managed? |
Example of representative task from exam blueprint

I can quantify risk using sensitivity analysis, expected values, standard deviations and probability tables.

I can use a basic sensitivity analysis and “what if” in decision modelling to identify variables that might have impacts on project outcomes.

I can apply decision models to deal with uncertainty in decision-making.

Download Exam Blueprint Here
Resource list
Stress testing

Stress-Test Your Strategy: The 7 Questions to Ask
Harvard Business Review
2010

McKinsey & Company
Stress testing for nonfinancial companies
Assessing a company's vulnerability to risk makes otherwise theoretical discussions of strategy more real.
Basics of risks
Enterprise Risk Management

The 2017 report summarises insights from 586 executives in organisations across the world and provides insights on the current state of enterprise-wide risk oversight, including identified similarities and differences in four global regions.

The 2019 report provides detailed insights about the maturity of various organisation’s current state of ERM practices based on survey responses from 445 business executives.
Quizzes and business games
Short term decision making

Quiz: Business analytics and decision-making
By James Hester
6 March 2018

Take Quiz Here
Classroom business game

A proposal has been prepared for the Kadgee Board to review for survival long-term and become more successful financially by undergoing transformational change. However, in order to allow the Kadgee Board time to agree on what direction it should take, you will need to make suggestions on short term measures to cut costs before presenting these to the board (your fellow students and academic staff).
Additional classroom business games

Business Games

- Business Game Synopsis
- Paradise Park (New!)
- Paradise Park suggested answers
- X-Max Systems (New!)
- X-Max Systems suggested answers
- Aedis Homes
- Aedis Homes suggested answers
- JOT Toy Company communication and suggested answers
- JOT Toy ethical dilemma
- JOT Toy ethical dilemma suggested answers
- Kadgee Clothing
- Kadgee Clothing suggested answers
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Email Now
Thank you

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