

## CIMA-P1-Performance Operations Area C- Self Study Guide

Session (duration)	Component Learning Outcomes	Study Guidance/Tips	CIMA Technical Articles
1 (1 hr)	"Introduction to P1"	Familiarising yourself with the syllabus and what the exam is all about.  Review the certificate level syllabus if exemptions were received to ensure there are no knowledge gaps.	<a href="#">P1-Syllabus guide</a>  <a href="#">Video presentation of P1</a>
<b>SECTION C: PROJECT APPRASAL (25%)- Recommended study time-41 hours over 3-4 weeks</b>			
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2 (Wk 1, 4.1 hours)	<b>1(a)</b> Explain the processes involved in making long-term decisions.	<ol style="list-style-type: none"> <li>Understand the impact of the time value of money when making long term capital investment decisions.</li> <li>What risks are involved making long term decisions?</li> </ol> <p><b>TOP TIP:</b> A great example of long term planning is Ryanair investing in Boeing jets the day after 9/11 attacks in New York, when everyone thought the airline industry was finished. Savings from that deal were made up to 10 years after.</p>	<a href="#">How Ryanair changed the airline business</a>
<b>1(a) Exam questions:</b>			
<a href="#">Nov-10-Q4a</a> <a href="#">May-11-Q4d</a>			
3 (Wk 1, 4.1 hours)	<b>1(b)</b> Apply the principles of relevant cash flow analysis to long-run projects that continue for several years.	<ol style="list-style-type: none"> <li>Know how to compare different projects by projecting cash-flow using annualised equivalent method.</li> </ol>	<a href="#">Annualised equivalent method</a>

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<b>1(b) Exam questions:</b>			
<a href="#">Mar-11-Q4a(i)</a> <a href="#">Sept-11-Q4a</a> <a href="#">Nov-11-Q4a</a> <a href="#">May-12-Q4a</a> <a href="#">Sept-12-Q4a</a> <a href="#">Nov-12-Q4a</a> <a href="#">Mar-13-Q4a</a>			
4 (Wk 1, 4.1 hours)	<b>1(c)</b> Calculate project cash flows, accounting for tax and inflation, and apply perpetuities to derive “end of project” value where appropriate.	<ol style="list-style-type: none"> <li>1. Know the limitations of using projected cash-flows to analyse a particular project.</li> <li>2. Know how to apply sensitivity analysis to cash-flows.</li> <li>3. Be able to calculate project cash-flows which take into account, inflation, tax and methods of discounting cash-flows.</li> </ol>	<a href="#">Key investment appraisal methods</a>
<b>1(c) Exam questions:</b>			
<a href="#">May-10-Q4a</a> <a href="#">Nov-10-Q1.3</a> <a href="#">Nov-11-Q4c</a> <a href="#">Mar-12-Q4c</a> <a href="#">May-12-Q1.7 &amp; Q4a</a> <a href="#">Sept-12-Q4a</a> <a href="#">Mar-13-Q1.2</a>			
5 (Wk 2, 4.1 hours)	<b>1(d)</b> Apply activity-based costing techniques to derive approximate “long run” product or service costs appropriate for use in strategic decision making.	<ol style="list-style-type: none"> <li>1. Understand how ABC could be used in helping making long-term decisions, for e.g. it could be used as a starting point to determine current costs more accurately.</li> </ol>	
6 (Wk 2, 4.1 hours)	<b>1(e)</b> Explain the financial consequence of dealing with long-run projects, in particular the importance of accounting for the “time value of money”.	<ol style="list-style-type: none"> <li>1. Understand how future inflation rates may affect your project</li> <li>2. What method of discounting future cash flows will you use</li> <li>3. Why do you need to take account of time value of money</li> <li>4. What are the risks involved in not accounting for time value of money</li> </ol>	<a href="#">IRR</a>

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<b>1(e) Exam questions:</b>			
<a href="#">May-12-Q4c</a> <a href="#">Sept-12-Q4c</a>			
7 (Wk 2, 4.1 hours)	<b>1(f)</b> Apply sensitivity analysis to cash flow parameters to identify those to which net present value is particularly sensitive.	<ol style="list-style-type: none"> <li>How would you apply sensitivity analysis to different scenarios?</li> <li>Know the advantages and disadvantages of sensitivity analysis.</li> <li>How could sensitivity analysis be used to compare projects?</li> </ol>	<p>Sensitivity analysis as a decision making tool</p> <p>Sensitivity analysis sample answer to above article</p>
<b>1(f) Exam questions:</b>			
<a href="#">Nov-10-Q1.2</a> <a href="#">Mar-11-Q4b</a> <a href="#">Sept-11-Q4b</a> <a href="#">Nov-11-Q4b</a> <a href="#">Sept-12-Q1.7</a> <a href="#">Nov-12-Q1.1</a> <a href="#">Mar-13-Q2b</a>			
8 (Wk 3, 4.1 hours)	<b>1(g)</b> Prepare decision support information for management, integrating financial and non-financial considerations.	<ol style="list-style-type: none"> <li>Remember in your decision making on choosing a particular project to include non-financial reasons/factors.</li> </ol>	
<b>1(g) Exam questions:</b>			
<a href="#">Mar-11-Q4a(ii)</a> <a href="#">May-11-Q2c</a> <a href="#">Sept-11-Q2d</a> <a href="#">Mar-12-Q4a(ii)</a> <a href="#">Nov-12-Q4c</a>			
		<p><b>TOP TIP:</b> For NPV calculations the majority of errors in exams are;</p> <p>Not adjusting for inflation Inability to calculate IRR and Adjusting for tax depreciation. To avoid this practice past exam papers that covers all these areas within one question.</p>	

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9 (Wk 3, 4.1 hours)	<b>2(a)</b> Evaluate project proposals using the techniques of investment appraisal	1. Have the ability to evaluate a project using and comparing different methods such as payback, discounted payback, accounting rate of return, net present value and internal rate of return.  <b>TOP TIP:</b> Create a chart with all methods, their calculations, advantages and disadvantages of each, and limitations of use. This will ensure you can use different methods and should be prepared for any question you get in exam on techniques of investment appraisal.	
<b>2(a) Exam questions:</b>  <a href="#">Nov-10</a> -Q4b & Q4c <a href="#">Mar-11</a> -Q4a(i) <a href="#">May-11</a> - Q4b <a href="#">Sept-11</a> -Q4a & Q4c(i) <a href="#">Nov-11</a> -Q1.7  <a href="#">Mar-12</a> -Q1.7 & Q4b <a href="#">May-12</a> -Q4a & Q4b <a href="#">Sept-12</a> -Q2a & Q4a & Q4b(i) & Q4b(ii) <a href="#">Nov-12</a> -Q4a & Q4b(i) <a href="#">Mar-13</a> -Q4a			
10 (Wk 3, 4.1 hours)	<b>2(b)</b> Compare and contrast the alternative techniques of investment appraisal.	1. Understand the advantages and disadvantages of all techniques and the limitations of use.	
<b>2(b) Exam questions:</b>  <a href="#">May-10</a> -Q4b <a href="#">May-11</a> -Q4c <a href="#">Sept-11</a> -Q4c(i) <a href="#">Nov-12</a> -Q4b(ii)			

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11 (Wk 4, 4.1 hours)	<b>2(c)</b> Prioritise projects that are mutually exclusive involve unequal lives and/or subject to capital rationing.	<ol style="list-style-type: none"> <li>1. Remember when comparing projects you should take more than figures into account. It will depend on risk appetite of company, funds available, what will benefit the company the most in the long-term.</li> <li>2. Think of some ideas why some companies would favour would project over the other despite it being a higher initial investment.</li> </ol>	
<p><b>2(c) Exam questions:</b></p> <p><a href="#">Nov-10-Q4d</a> <a href="#">Mar-11-Q4c</a> <a href="#">Nov-11-Q4a</a> <a href="#">Nov-12-Q1.3 &amp; Q1.4</a> <a href="#">Mar-13-Q4c</a></p>			

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### Quiz Days:

1. Attempt at least two mock papers to timed conditions before the exam including reading time of 20 minutes (Total 3 hrs and 20 minutes to complete). Review the examiners answers and post exam guides after you have finished the mock exam.

[Nov-12 exam](#)   [Examiners answers](#)   [Post exam guide](#)

[May-12 exam](#)   [Examiners answers](#)   [Post exam guide](#)

2. Within this area of the syllabus students tend to do worse in project appraisal areas; accounting for inflation and tax depreciation. Try these specific questions to ensure you have all techniques covered.  
**Practice questions to timed conditions-1.8 minutes per mark.**

[Sept-10-Q4](#) (25 marks)   [Examiners answers](#)

[May-11-Q4a](#) (12 marks)   [Examiners answers](#)

[Nov-11-Q4c](#) (5 marks)   [Examiners answers](#)

[Mar-12-Q4ai](#) (12 marks)   [Examiners answers](#)

[Exam techniques videos](#)

[Improving your exam technique](#)

[Managing exam stress](#)

## CIMA-P1-Performance Operations Area C- Self Study Guide

### OTHER STUDY RESOURCES:

[Find all examiners suggested answers here](#)

[Post exam guides](#)

[CIMA Publishing](#)

[Velocity-student e-magazine](#) [Financial Management magazine](#)

[Chat to other students on CIMAsphere- discussion boards for Operational level](#)

Please note that the session duration time given for each area is a rough guide based on % of P1 syllabus weightings. Research has shown that **students who study a minimum of 11 hours per week are more likely to pass**. These timings must be taken into account with other personal commitments such as work, family time, recreation etc.

Obviously the more hours students can dedicate to studying the higher their chance of success.

Please use this as guidance rather than as an exact science of how to study, and please feel free to change it to suit your requirements.