

## CIMA-P1 Performance Operations-Area E- 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.<br><br>Review the certificate level syllabus if exemptions were received to ensure there are no knowledge gaps.  | <a href="#">P1- A syllabus guide</a><br><br><a href="#">Video Presentation of P1 exam</a> |
| <b>SECTION E: MANAGING SHORT TERM FINANCE (20%)- Recommended study time-33 hours over 2-3 weeks</b> |   |   |   |
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| 1<br>(Wk 1,<br>3.3 hours)   | <b>1(a)</b> Explain the importance of cash flow and working capital management. | 1. It's important to understand how the cash cycle can affect a business. For example some businesses may be generating high volumes of sales, but do not have enough cash assets to grow the business further. An investigation of the cash cycle may produce results such as too many credit days given to debtors, not availing of supplier's discounts by either bulk buying or paying on time, using short term cash flow to grow in long term instead of seeking additional capital finance.<br><br><b>TOP TIP:</b> Draw a diagram of how the cash cycle operates to give you a better understanding. | <a href="#">Diagram example of working capital cycle</a>                                  |
| <b>1(a) Exam questions:</b>   |   |   |   |
| <a href="#">May-10-Q1.1</a> <a href="#">Sept-11-Q2b</a> <a href="#">Nov-12-Q1.2</a>                 |   |   |   |

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| 2<br>(Wk 1,<br>3.3 hours)   | <b>1(b)</b> Interpret working capital ratios for business sectors.  | <ol style="list-style-type: none"> <li>1. Understand the different ratios such as liquidity, operating cash cycle, trade payable days and trade receivables days etc.</li> <li>2. Have ability to calculate and explain these ratios and understand how they are relevant for planning and decision making.</li> </ol>                 | <a href="#">Tackling cash flow problems</a>     |
| <b>1(b) Exam questions:</b><br><a href="#">May-10-Q1.2</a> <a href="#">Sept-10-Q1.2</a> <a href="#">Nov-10-Q2f</a> <a href="#">Mar-11-Q1.7</a> <a href="#">May-11-Q1.7</a> <a href="#">Sept-11-Q1.5</a> <a href="#">May-12-Q1.2 &amp; Q1.4</a> <a href="#">Sept-12-Q1.1</a> <a href="#">Nov-12-Q1.6</a> |   |  |   |
| 3<br>(Wk 1,<br>3.3 hours)   | <b>1(c)</b> Analyse cash-flow forecasts over a twelve-month period. | <ol style="list-style-type: none"> <li>1. How would you plan a cash forecast over a period of 12 months, what could impact the forecast.</li> <li>2. Think of variable such as credit terms with suppliers, deposits from debtors etc. How would this affect your analysis? What problems would occur if variables changed?</li> </ol> |   |
| <b>1(c) Exam questions:</b><br><a href="#">Sept-10-Q1.6</a> <a href="#">Nov-11-Q2a</a> <a href="#">Mar-12-Q2a</a>   |   |  |   |
| 4<br>(Wk 2,<br>3.3 hours)   | <b>1(d)</b> Discuss measures to improve a cash forecast situation.  | <ol style="list-style-type: none"> <li>1. What measure would you use, more accurate information, analysis of current reports such as balance sheets, details of all suppliers' credit terms, check if you are availing of supplier discounts, check if you are receiving debtor's payments as agreed.</li> </ol>                       | <a href="#">Range of credit control methods</a> |
| <b>1(d) Exam questions:</b><br><a href="#">Sept-10-Q2a(ii)</a> <a href="#">May-12-Q1.6</a>  |   |  |   |

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| 5<br>(Wk 2,<br>3.3 hours)   | <b>1(e)</b> Analyse trade debtor and creditor information.                    | <ol style="list-style-type: none"> <li>1. Understand aged reports of debtors and creditors.</li> <li>2. Also understand that some creditor and debtors may have different terms of contract, for e.g. creditors used often and for large orders normally give a longer credit term.</li> </ol>                   |                         |
| <b>1(e) Exam questions:</b>   |   |  |                         |
| <a href="#">May-10-Q2a</a> <a href="#">Nov-10-Q2d</a> <a href="#">Sept-12-Q1.3 &amp; Q2e(i)</a> <a href="#">Nov-12-Q2a</a>  |   |  |                         |
| 6<br>(Wk 2,<br>3.3 hours)   | <b>1(f)</b> Analyse the impacts of alternative debtor and creditor policies.  | <ol style="list-style-type: none"> <li>1. Know how this could affect aged debtors and creditor reports especially if these are developed manually. How could integrity of information impact cash forecasts?</li> </ol>  |                         |
| <b>1(f) Exam questions:</b>   |   |  |                         |
| <a href="#">May-10-Q1.6</a> <a href="#">Sept-10-Q2a(i)</a> <a href="#">Mar-11-Q2d</a> <a href="#">May-11-Q2d</a> <a href="#">Sept-11-Q1.4</a> <a href="#">Nov-11-Q1.6 &amp; Q2c</a> <a href="#">Mar-12-Q2c</a> <a href="#">Sept-12-Q2f</a> <a href="#">Mar-13-Q2d</a> |   |  |                         |
| 7<br>(Wk 2,<br>3.3 hours)   | <b>1(g)</b> Analyse the impacts of alternative policies for stock management. | <ol style="list-style-type: none"> <li>1. A JIT system means there should be no cost or little cost for stock storage. On the other hand if you receive an unexpected order will you be prepared enough with a JIT system?</li> <li>2. How would the impact of high stock levels impact on cash flow?</li> </ol> |                         |
| <b>1(g) Exam questions:</b>   |   |  |                         |
| <a href="#">May-10-Q2b</a> <a href="#">Sept-10-Q1.1 &amp; Q2b</a> <a href="#">Nov-11-Q1.4 &amp; Q1.5</a> <a href="#">Mar-12-Q1.4 &amp; Q1.5</a> <a href="#">May-12-Q2c</a> <a href="#">Sept-12-Q2c</a>  |   |  |                         |
|   |   | <b>TOP TIP:</b> Find out how your finance department manages cash-flow or predicts cash-flow over a 12 month period. A real-life example will give you a better understanding of cash-flow.  |                         |

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| 8<br>(Wk 3,<br>3.3 hours)  | <b>2(a)</b> Identify sources of short-term funding.                             | <ol style="list-style-type: none"> <li>1. Know the different methods a company could use; increased overdraft, short term loan, delay creditor payments.</li> <li>2. Know the advantages and disadvantages of each method.</li> </ol>   |                         |
| <b>2(a) Exam questions:</b>  |   |   |                         |
| <a href="#">Nov-10-Q1.1</a> <a href="#">May-11-Q1.1</a> <a href="#">Sept-11-Q1.1</a> <a href="#">May-12-Q1.5</a> <a href="#">Sept-12-Q2e(ii)</a> <a href="#">Mar-13-Q1.7</a>                       |   |   |                         |
| 9<br>(Wk 3,<br>3.3 hours)  | <b>2(b)</b> Identify alternatives for investment of short-term cash surpluses.  | <ol style="list-style-type: none"> <li>1. Identify the risk/rewards associated with investing short term cash surpluses.</li> </ol> <p><b>TOP TIP:</b> A recent article in the economist highlighted that large companies worldwide are sitting on huge cash surpluses, either because of lack of opportunity to invest or low interest rates and a high risk currently in investing in un-secure markets. Remember that there are pros and cons of investment and a cost-benefit analysis is a good approach to develop when analysing this. You should also remember the level of risk appetite a company has when investing.</p> |                         |
| <b>2(b) Exam questions:</b>  |   |   |                         |
| <a href="#">Nov-10-Q2e</a> <a href="#">Mar-11-Q2e &amp; Q2f</a> <a href="#">Sept-11-Q2e</a> <a href="#">May-12-Q2f</a> <a href="#">Nov-12-Q1.8 &amp; Q2b</a> <a href="#">Mar-13-Q1.5 &amp; Q2a</a> |   |   |                         |
| 10<br>(Wk 3,<br>3.3 hours)   | <b>2(c)</b> Identify appropriate methods of finance for trading internationally | <ol style="list-style-type: none"> <li>1. Know different methods used and the advantages and disadvantages of each.</li> </ol> <p><b>TOP TIP:</b> Find an example of how global companies trade internationally.</p>  |                         |

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|---|--------------------------------|---------------------|--|
| <p><b>2(c) Exam questions:</b></p> <p><a href="#">Mar-11-Q1.1</a> <a href="#">May-11-Q2e</a> <a href="#">Mar-12-Q1.6</a> <a href="#">Mar-13-Q1.1</a></p>  |                                |                     |  |
| <p><b>Quiz Days:</b></p>  |                                |                     |  |
| <p>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.</p> <p><a href="#">Nov-12 exam</a> <a href="#">Examiners answers</a> <a href="#">Post exam guide</a><br/> <a href="#">May-12 exam</a> <a href="#">Examiners answers</a> <a href="#">Post exam guide</a></p> <p>2. Multiple choice questions are a great way to pick up some marks. There are 20 marks available for Section A. Get plenty of practice at these questions and you are nearly half way to passing the exam. Try the following multiple choice questions from these papers.</p> <p><a href="#">May-10 exam</a> <a href="#">Sept-10 exam</a> <a href="#">May-11 exam</a> <a href="#">Nov-11 exam</a></p> |                                |                     | <p><a href="#">View this presentation for exam day help- great advice from examiners and students.</a></p> <p><a href="#">Other study help audio presentations</a></p> |

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### 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.