

**CIMA**

Chartered Institute of  
Management Accountants

# Qualification structure and syllabus

CIMA Chartered Management Accounting Qualification 2010



December 2008

## A qualification focused on the future – fit for purpose, relevant and unique

I am honoured to introduce the new 2010 Chartered Management Accounting Qualification to all of our stakeholders.

With seismic shifts occurring in the world's economy, coupled with accelerating concerns about the sustainability of our planet, never before has there been a greater need for organisations to train and develop their people to manage the impact of these changes.

With this revised qualification CIMA remains true to its long and proud history of providing finance professionals with a difference – **Chartered Management Accountants** – who combine management and finance skills in a unique way and who fully understand the businesses they are working in. While we respect and learn lessons from the past, through this qualification we prepare our future members to be focused on the future: driving value; managing performance; understanding how organisations are best led and inspired; and helping to sustain vibrant business and government. We provide a strong grounding in international accounting and financial reporting which is comparable to that offered by all of our competitors. In addition we offer strategic risk management, business strategy and much more.

CIMA now designs its qualifications in what we believe to be a unique way. Based on rigorous international primary research with all of our key stakeholders and involving the participation of over 6,000 individuals and organisations – members, students, employers (both existing and potential), CIMA tuition partners, universities and our examiner and marker team – we have designed a professional finance training and development solution that is second to none.

I commend this revised CIMA Professional Qualification to you. It will be examined for the first time in 2010, so there is plenty of time to absorb the exciting changes contained in the pages that follow.

Yours sincerely



Robert G. Jelly  
Director of Education

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# 01 Structure of the CIMA qualification

## A How to qualify

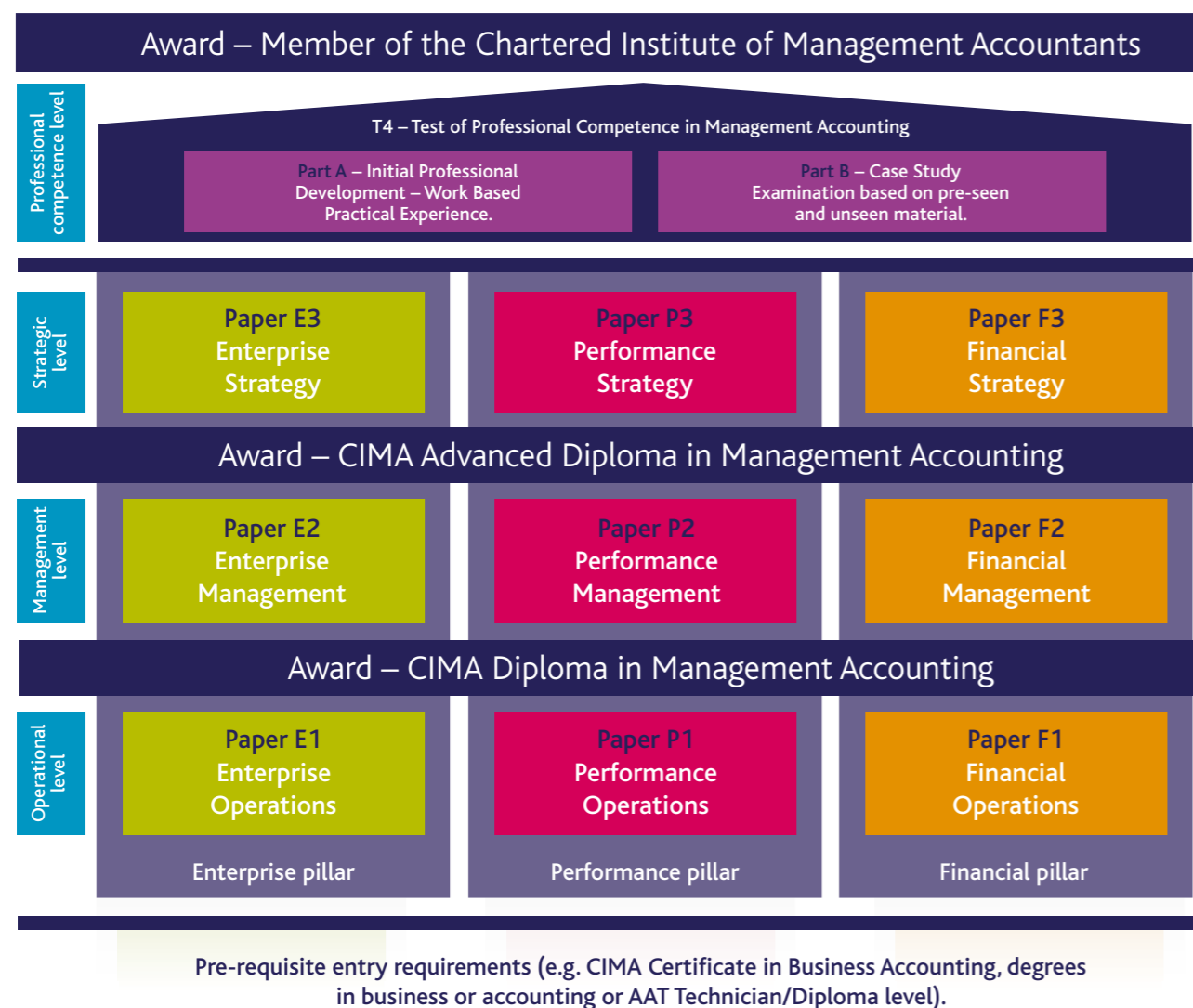
To qualify as a Chartered Management Accountant under the 2010 CIMA qualification, an applicant must:

- meet the entry requirements for the Professional Chartered Management Accounting qualification;
- register as a student with CIMA;
- study for, sit and pass nine examinations, as defined within the syllabus;
- achieve the requirements of the Test of Professional Competence in Management Accounting, including Part A Initial Professional Development – Work Based Practical Experience and Part B Case Study Examination, as defined within the syllabus.

To gain entry to the Professional Chartered Management Accounting qualification 2010, applicants must be holders of CIMA's Certificate in Business Accounting or an approved exempting qualification.

## B Structure of the qualification

The structure of the qualification and syllabus subjects is shown on the following diagram.



## C Progression through the qualification

### The learning pillars

Subjects within each learning pillar of the qualification are designed to be sequential, from operational to strategic level, encouraging the progressive development of knowledge, techniques and skills.

### Operational and management level

Within each learning pillar, students are advised to sit and pass the operational level subject examination before sitting the management level subject. However, examinations from different learning pillars, at either operational or management level, may be sat concurrently. Students are recommended to sit no more than three examinations at any single diet, in order to optimise the probability of success.

The pass mark for each of the operational and management level subject examinations is 50% and permanent credit is awarded for any paper in which the candidate scores 50% or more.

Students must pass all operational and management level subject examinations, in each learning pillar, before attempting the strategic level subjects.

On successful completion of all operational level subjects, students are awarded the CIMA Diploma in Management Accounting.

On successful completion of all management level subjects, students are awarded the CIMA Advanced Diploma in Management Accounting.

### Strategic level

When attempting the strategic level subjects, students must sit all three examination papers (one from each learning pillar – Papers E3, P3 and F3) together at the first sitting. At any subsequent examination attempts, these papers may be taken in any order and combination.

The pass mark for each of the strategic level subject examinations is 50% and permanent credit is awarded for any paper in which the candidate scores 50% or more.

Students must pass all three strategic level subject examinations before attempting the Test of Professional Competence in Management Accounting.

### Test of Professional Competence in Management Accounting

The Test of Professional Competence in Management Accounting comprises two component parts that must both be achieved in order to complete the test. Credits are used to measure success, rather than marks. To pass the Test of Professional Competence in Management Accounting, students must achieve an aggregated minimum of 75 credits – comprising a minimum of 50 credits for Part A (maximum 50 credits) and a minimum of 25 credits for Part B (maximum of 50 credits).

Students are advised to undertake Part A and Part B concurrently, although either can be taken in any order once all strategic level examinations have been completed. The overall result for the Test of Professional Competence in Management Accounting can only be given when both component parts have been completed.

#### Part A

**Initial Professional Development – Work Based Practical Experience** (maximum 50 credits)

Students must prepare and submit a 'CIMA Career Profile' for assessment of their personal work based practical experience and skills development. An approved Career Profile is awarded 50 credits – the amount needed to meet the requirements for Part A of the Test of Professional Competence in Management Accounting.

#### Part B

**Case Study Examination** (maximum 50 credits)

Students must sit and pass the Case Study Examination – a three hour assessment of competence, completed within a supervised examination environment. 25 credits must be awarded to meet the minimum requirements for Part B of the Test of Professional Competence in Management Accounting.

On successful completion of the Test of Professional Competence in Management Accounting, students apply to be elected as members of the Chartered Institute of Management Accountants.

## 02 Syllabus guidance

### A Aims of the syllabus

The aims of the syllabus for the CIMA Professional Chartered Management Accounting qualification 2010 are:

- To provide for the institute, an adequate basis for assuring society that those admitted to membership are competent to act as management accountants for entities, whether in manufacturing, commercial or service organisations, in the public or private sectors of the economy.
- To enable the institute to examine whether prospective members have an adequate knowledge, understanding and mastery of the stated body of knowledge and skills.
- To enable the institute to assess whether prospective members have completed initial professional development and acquired the necessary work based practical experience and skills.

### B Structure of the syllabus

The syllabus comprises three learning pillars:

- Enterprise pillar
- Performance pillar
- Financial pillar

Each learning pillar is divided into three progressive levels:

- Operational level
- Management level
- Strategic level

Within each learning pillar there are three syllabus subjects, each subject being positioned at one of the three progressive levels. Each of the nine subject examinations has a duration of three hours, with a further 20 minutes of pre-examination reading time. The pass mark for each of these examinations is 50%.

In addition to completing all examinations within the three learning pillars, students must successfully achieve the requirements of the Test of Professional Competence in Management Accounting, including Part A Initial Professional Development – Work Based Practical Experience and Part B Case Study Examination.

### C Structure of subjects and learning outcomes

Each subject within the three learning pillars of the syllabus is divided into a number of broad syllabus topics. The topics contain one or more lead learning outcomes, related component learning outcomes and indicative knowledge content.

A learning outcome has two main purposes:

- to define the skill or ability that a well-prepared candidate should be able to exhibit in the examination;
- to demonstrate the approach likely to be taken by examiners in examination questions.

The learning outcomes are part of a hierarchy of learning objectives. The verbs used at the beginning of each learning outcome relate to a specific learning objective e.g;

**Evaluate** performance using fixed and flexible budget reports.

The verb '**evaluate**' indicates a high, level 5, learning objective. Because learning objectives are hierarchical, it is expected that at this level, students will have knowledge of fixed and flexible budget techniques, to be able to apply them and assess performance using relevant reports.

The following table lists the learning objectives and the verbs that appear in the syllabus learning outcomes and examination questions:

	Learning objective	Verbs used	Definition
Level 1	<b>KNOWLEDGE</b> What you are expected to know.	List State Define	Make a list of. Express, fully or clearly, the details/facts of. Give the exact meaning of.
Level 2	<b>COMPREHENSION</b> What you are expected to understand.	Describe Distinguish Explain Identify Illustrate	Communicate the key features of. Highlight the differences between. Make clear or intelligible/state the meaning or purpose of. Recognise, establish or select after consideration. Use an example to describe or explain something.
Level 3	<b>APPLICATION</b> How you are expected to apply your knowledge.	Apply Calculate Demonstrate Prepare Reconcile Solve Tabulate	Put to practical use. Ascertain or reckon mathematically. Prove with certainty or exhibit by practical means. Make or get ready for use. Make or prove consistent/compatible. Find an answer to. Arrange in a table.
Level 4	<b>ANALYSIS</b> How you are expected to analyse the detail of what you have learned.	Analyse Categorise Compare and contrast Construct Discuss Interpret Prioritise Produce	Examine in detail the structure of. Place into a defined class or division. Show the similarities and/or differences between. Build up or compile. Examine in detail by argument. Translate into intelligible or familiar terms. Place in order of priority or sequence for action. Create or bring into existence.
Level 5	<b>EVALUATION</b> How you are expected to use your learning to evaluate, make decisions or recommendations.	Advise Evaluate Recommend	Counsel, inform or notify. Appraise or assess the value of. Propose a course of action.

## 02 Syllabus guidance continued

### D Study weightings

Within a syllabus subject, a percentage weighting is shown against each section topic and is intended as a guide to the proportion of study time each topic requires.

It is essential that all topics in the syllabus are studied, since any single examination question may examine more than one topic, or carry a higher proportion of marks than the percentage study time suggested.

The weightings do not specify the number of marks that will be allocated to topics in the examination.

### E Summary of the syllabus

#### ENTERPRISE PILLAR

Level	Subject	Syllabus topic	
Strategic	PAPER E3 Enterprise Strategy	A. Interacting with the Competitive Environment	20%
		B. Change Management	20%
		C. Evaluation of Strategic Options	30%
		D. Implementation of Strategic Plans	30%
Management	PAPER E2 Enterprise Management	A. Strategic Management and Assessing the Competitive Environment	30%
		B. Project Management	40%
		C. Management of Relationships	30%
Operational	PAPER E1 Enterprise Operations	A. The Global Business Environment	20%
		B. Information Systems	20%
		C. Operations Management	20%
		D. Marketing	20%
		E. Managing Human Capital	20%

#### PERFORMANCE PILLAR

Level	Subject	Syllabus topic	
Strategic	PAPER P3 Performance Strategy	A. Management Control Systems	10%
		B. Risk and Internal Control	25%
		C. Review and Audit of Control Systems	15%
		D. Management of Financial Risk	35%
		E. Risk and Control in Information Systems	15%
Management	PAPER P2 Performance Management	A. Pricing and Product Decisions	30%
		B. Cost Planning and Analysis for Competitive Advantage	30%
		C. Budgeting and Management Control	20%
		D. Control and Performance Measurement of Responsibility Centres	20%
Operational	PAPER P1 Performance Operations	A. Costing Accounting Systems	30%
		B. Forecasting and Budgeting Techniques	10%
		C. Project Appraisal	25%
		D. Dealing with Uncertainty in Analysis	15%
		E. Managing Short Term Finance	20%

#### FINANCIAL PILLAR

Level	Subject	Syllabus topic	
Strategic	PAPER F3 Financial Strategy	A. Formulation of Financial Strategy	25%
		B. Financial Decisions	30%
		C. Investment Decisions and Project Control	45%
Management	PAPER F2 Financial Management	A. Group Financial Statements	35%
		B. Issues in Recognition and Measurement	20%
		C. Analysis and Interpretation of Financial Accounts	35%
		D. Developments in External Reporting	10%
Operational	PAPER F1 Financial Operations	A. Principles of Business Taxation	25%
		B. Regulation and Ethics of Financial Reporting	15%
		C. Financial Accounting and Reporting	60%

## 02 Syllabus guidance continued

### F Study route

#### Operational and management level

The three syllabus subjects within each learning pillar are designed to develop knowledge and skills in a progressive manner. Students are expected to study and pass the operational level paper in any single pillar before tackling the management level paper in that same pillar. It is however possible to be concurrently studying and sitting an operational level paper in one pillar and a management level paper in another pillar. Students may choose to sit one, two or three examination papers at any single examination diet.

All operational and management level subject examinations, in each learning pillar, must be successfully completed before attempting strategic level subjects.

#### Strategic level

All three syllabus subjects at strategic level must be studied concurrently, since students must sit all three examination papers (E3, P3 and F3) together at the first sitting. These papers must all be successfully completed before attempting the Test of Professional Competence in Management Accounting.

### Professional competence level

T4 – Test of Professional Competence in Management Accounting

On successful completion of all three strategic level examinations, students must prepare for and pass each part of the two part Test of Professional Competence in Management Accounting. The two parts are:

- Part A Initial Professional Development – Work Based Practical Experience (maximum 50 credits)
- Part B Case Study Examination (maximum 50 credits)

Credits are used to measure success, rather than marks and to pass the Test of Professional Competence in Management Accounting, students must achieve an aggregated minimum of 75 credits – comprising a minimum of 50 credits for Part A (maximum 50 credits) and a minimum of 25 credits for Part B (maximum of 50 credits).

CIMA recommends that students undertake Part A and Part B concurrently, although either can be taken in any order. The aggregated result for T4 – Test of Professional Competence in Management Accounting, can only be given when both component parts have been completed.

#### Membership

On successful completion of the Test of Professional Competence in Management Accounting, students will apply to be elected as members of the Chartered Institute of Management Accountants.

### G Exam information

#### International Accounting Standards and Exposure Drafts

The examinations will be set in accordance with relevant International Accounting Standards and International Financial Reporting Standards, issued up to and including 1 December preceding the examination concerned. This date is particularly relevant to Paper F1 – Financial Operations and Paper F2 – Financial Management.

This date of up to and including 1 December preceding the examination also applies to material contained in Financial Reporting Exposure Drafts.

#### Examination notices

Students are advised to refer to the notice of examinable legislation published regularly in CIMA's magazine (Financial Management), the student e-newsletter (Velocity) and on the CIMA website, to ensure they are up-to-date.

#### Time management in examinations

Students are advised to manage their time strictly when answering questions in examinations. The time allocated to read, answer and review the answer to a question, should be proportional to the maximum marks available for that question. For example, a short answer question worth 5 marks, within a 3 hour examination where a total of 100 marks are available, should be allocated a maximum of 9 minutes.

### Subject and examination paper referencing

All subjects and examination papers in the CIMA Professional Chartered Management Accounting qualification are prefixed with:

- a letter (E, P or F) to indicate the learning pillar,
- a number (1, 2 or 3) to indicate the level,

where they are positioned within the qualification structure. The Test of Professional Competence in Management Accounting is prefixed with T4 to indicate its position at level 4.

### H Mathematical tables and formulae

Relevant formulae will be included within the appropriate examination papers and mathematical tables relevant to the subject will be identified. These will be published on the CIMA website.

### I Taxation

Data required for use when answering examination questions involving calculations for taxation (primarily within papers F1, F2 and F3), will be published on the CIMA website before each examination diet. The data will also be included within the appropriate examination papers.

## 03 The full syllabus – operational level

This section sets out the specific syllabus for each of the three papers at the operational level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers within the CIMA Certificate in Business Accounting qualification, may also be relevant for the purposes of assessment, in related subjects. The syllabus for the CIMA Certificate in Business Accounting qualification can be viewed on the CIMA website.

### PAPER E1 ENTERPRISE OPERATIONS

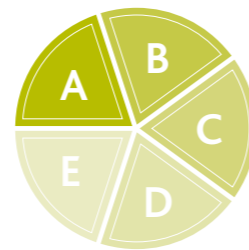
#### Syllabus overview

This paper addresses several functional areas of business, as well as introducing candidates to the economic, social and political context of international business. For each of the sections dealing with information systems, operations, marketing and managing human capital, the learning requirements alert students to major developments in the field as well as tools and techniques important to each functional area.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	The Global Business Environment	20%
B	Information Systems	20%
C	Operations Management	20%
D	Marketing	20%
E	Managing Human Capital	20%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 20 marks

A variety of compulsory objective test questions, each worth between two and four marks. Mini scenarios may be given, to which a group of questions relate.

##### Section B – 30 marks

Six compulsory short answer questions, each worth five marks. A short scenario may be given, to which some or all questions relate.

##### Section C – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### E1 – A. THE GLOBAL BUSINESS ENVIRONMENT (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. explain the social, political and economic context of business.	(a) explain the emergence of major economies in Asia and Latin America; (b) explain the emergence and importance of outsourcing and offshoring; (c) explain the impact of international macroeconomic developments (e.g. long-term shifts in trade balances), on the organisation's competitive environment.	<ul style="list-style-type: none"> <li>• Cross-cultural management and different forms of business organisation.</li> <li>• Emerging market multinationals.</li> <li>• Liberalisation and economic nationalism.</li> <li>• Outsourcing and offshoring.</li> <li>• Major economic systems including US, European and transition economies.</li> <li>• National account balances (especially from international trade), monetary policy and their impact on markets.</li> </ul>
2. analyse the relationship between the internal governance of the firm and external sources of governance and regulation.	(a) explain the principles and purpose of corporate social responsibility and the principles of good corporate governance in an international context; (b) analyse relationships among business, society and government in national and regional contexts; (c) apply tools of country and political risk analysis; (d) discuss the nature of regulation and its impact on the firm.	<ul style="list-style-type: none"> <li>• Corporate governance, including stakeholders and the role of government.</li> <li>• Principles of corporate social responsibility and the scope for international variation, e.g. between developed and developing economies.</li> <li>• Business-government relations in developed and developing economies.</li> <li>• Regulation in the national and international context and its impact on the firm.</li> <li>• Role of institutions and governance in economic growth.</li> <li>• Corporate political activity in developed and developing markets.</li> <li>• Country and political risk.</li> </ul>

## E1 – B. INFORMATION SYSTEMS (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. discuss the wider business context within which information systems operate.	(a) identify the value of information and information systems organisations; (b) discuss the reasons for organisations' increased dependence on information systems; (c) discuss the transformation of organisations through technology.	<ul style="list-style-type: none"> <li>The role of information systems in organisations.</li> <li>Emerging information system trends in organisations (e.g. Enterprise-wide systems; knowledge management systems; customer relationship management systems, e.g. E-business, Web 2.0 tools).</li> <li>Information technology enabled transformation; the emergence of new forms of organisation.</li> <li>Geographically dispersed (virtual) teams; role of information systems in virtual teams and challenges for virtual collaboration.</li> </ul>
2. analyse how information systems can be implemented in support of the organisation's strategy.	(a) discuss ways for overcoming problems in information system implementation; (b) discuss ways of organising and managing information system activities in the context of the wider organisation.	<ul style="list-style-type: none"> <li>Assessing the costs and benefits of information systems; criteria for evaluating information systems.</li> <li>Privacy and security.</li> <li>System changeover methods (i.e. direct, parallel, pilot and phased).</li> <li>Information system implementation as a change management process; avoiding problems of non-usage and resistance.</li> <li>Information system outsourcing (different types of sourcing strategies; client-vendor relationships).</li> <li>Aligning information systems with business strategy (e.g. strategic importance of information systems; information systems for competitive advantage; information systems for competitive necessity).</li> </ul>

## E1 – C. OPERATIONS MANAGEMENT (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. explain the relationship of operations management to other aspects of the organisation's operations.	(a) explain the shift from price-based to relational procurement and operations; (b) explain the relationship of operations and supply management to the competitiveness of the firm; (c) explain the particular issues surrounding operations management in services; (d) explain the importance of sustainability in operations management.	<ul style="list-style-type: none"> <li>Supply chain management as a strategic process.</li> <li>An overview of operations strategy and its importance to the firm.</li> <li>Supply chains in competition with each other; role of supply networks; demand networks as an evolution of supply chains.</li> <li>Design of products/services and processes and how this relates to operations and supply.</li> <li>The concept of sustainability in operations management.</li> </ul>
2. apply tools and techniques of operations management.	(a) apply contemporary thinking in quality management; (b) explain process design; (c) apply tools and concepts of lean management; (d) illustrate a plan for the implementation of a quality programme; (e) describe ways to manage relationships with suppliers.	<ul style="list-style-type: none"> <li>Different methods of quality measurement (e.g. Servqual).</li> <li>Approaches to quality management, including Total Quality Management (TQM), various British and European Union systems as well as statistical control processes.</li> <li>External quality standards.</li> <li>Systems used in operations management: Manufacturing Resource Planning II (MRPII); Optimized Production Techniques (OPT) and Enterprise Resource Planning (ERP).</li> <li>Use of process maps to present the flow of information and product across supply chains and networks.</li> <li>Methods for managing inventory, including continuous inventory systems (e.g. Economic Order Quantity, EOQ), periodic inventory systems and the ABC system (Note: ABC is not an acronym; A refers to high value, B to medium and C to low value inventory).</li> <li>Methods of managing operational capacity in product and service delivery (e.g. use of queuing theory, forecasting, flexible manufacturing systems).</li> <li>Application of lean techniques to services.</li> <li>Practices of continuous improvement (e.g. Quality circles, Kaizen, 5S, 6 Sigma).</li> <li>The characteristics of lean production.</li> <li>Criticisms and limitations of lean production.</li> <li>Developing relationships with suppliers, including the use of supply portfolios.</li> </ul>



## E1 – D. MARKETING (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. explain developments in marketing.	(a) explain the marketing concept, and the alternatives to it; (b) describe the marketing environment of a range of organisations; (c) explain marketing in a not-for-profit context; (d) explain the social context of marketing behaviour; (e) describe theories of consumer behaviour.	<ul style="list-style-type: none"> <li>The marketing concept as a business philosophy.</li> <li>The marketing environment, including societal, economic, technological, political and legal factors affecting marketing.</li> <li>Marketing in not-for-profit organisations (i.e. charities, non-governmental organisations; the public sector).</li> <li>Theories of consumer behaviour (e.g. social interaction theory), as well as factors affecting buying decisions, types of buying behaviour and stages in the buying process.</li> <li>Social marketing and corporate social responsibility.</li> </ul>
2. apply tools and techniques used in support of the organisation's marketing.	(a) explain the relationships between market research, market segmentation, targeting and positioning; (b) apply tools within each area of the marketing mix; (c) describe the business contexts within which marketing principles can be applied; (d) describe the market planning process; (e) explain the role of branding and brand equity.	<ul style="list-style-type: none"> <li>Market research, including data gathering techniques and methods of analysis.</li> <li>Segmentation and targeting of markets, and positioning of products within markets.</li> <li>How business to business (B2B) marketing differs from business to consumer (B2C) marketing in its different forms (i.e. consumer marketing, services marketing, direct marketing, interactive marketing, e-marketing, internal marketing).</li> <li>Promotional tools and the promotion mix.</li> <li>The 'service extension' to the marketing mix.</li> <li>Devising and implementing a pricing strategy.</li> <li>Experiential marketing.</li> <li>Marketing communications, including viral, guerrilla and other indirect forms of marketing.</li> <li>Distribution channels and methods for marketing campaigns.</li> <li>The role of marketing in the business plan of the organisation.</li> <li>Brand image and brand value.</li> <li>Product development and product/service life-cycles.</li> <li>Internal marketing as the process of training and motivating employees so as to support the organisation's external marketing activities.</li> <li>The differences and similarities in the marketing of products, services and experiences.</li> <li>Product portfolios and the product mix.</li> </ul>

## E1 – E. MANAGING HUMAN CAPITAL (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. explain the relationship of Human Resources (HR) to the organisation's operations.	(a) explain how HR theories and activities can contribute to the success of the organisation; (b) explain the importance of ethical behaviour in business generally and for the line manager and their activities.	<ul style="list-style-type: none"> <li>Theories of Human Resource Management relating to ability, motivation and opportunity.</li> <li>The psychological contract and its importance to retention.</li> <li>The relationship of the employee to other elements of the business.</li> <li>Personal business ethics and the fundamental principles (Part A) of the CIMA Code of Ethics for Professional Accountants.</li> </ul>
2. discuss the activities associated with the management of human capital.	(a) explain the HR activities associated with developing the ability of employees; (b) discuss the HR activities associated with the motivation of employees; (c) describe the HR activities associated with improving the opportunities for employees to contribute to the firm; (d) discuss the importance of the line manager in the implementation of HR practices; (e) prepare an HR plan appropriate to a team.	<ul style="list-style-type: none"> <li>Practices associated with recruiting and developing appropriate abilities including recruitment and selection of staff using different recruitment channels (i.e. interviews, assessment centres, intelligence tests, aptitude tests, psychometric tests).</li> <li>Issues relating to fair and legal employment practices (e.g. recruitment, dismissal, redundancy, and ways of managing these).</li> <li>The distinction between development and training and the tools available to develop and train staff.</li> <li>The design and implementation of induction programmes.</li> <li>Practices related to motivation including Issues in the design of reward systems (e.g. the role of incentives, the utility of performance-related pay, arrangements for knowledge workers, flexible work arrangements).</li> <li>The importance of appraisals, their conduct and their relationship to the reward system.</li> <li>Practices related to the creation of opportunities for employees to contribute to the organisation including job design, communications, involvement procedures and appropriate elements of negotiating and bargaining.</li> <li>Problems in implementing an HR plan appropriate to a team and ways to manage this.</li> <li>HR in different organisational forms (e.g. project based, virtual or networked firms) and different organisational contexts.</li> <li>Preparation of an HR plan (e.g. Forecasting personnel requirements; retention, absence and leave, wastage).</li> </ul>

## 03 The full syllabus – operational level continued

### PAPER P1 PERFORMANCE OPERATIONS

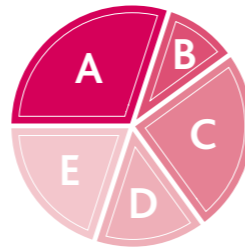
#### Syllabus overview

This paper primarily deals with the tools and techniques that generate information needed to evaluate and control present and projected performance. Thus, forecasting key variables, recognising uncertainties attached to future events, is a basis for budget construction; the budget is then used with costing systems to evaluate actual performance. Project appraisal relies similarly on future financial projections to provide the information on which managers can evaluate expected performance and actual outcomes. Both budgeting and project appraisal emphasise the critical importance of optimising cash flow and the final section of the paper continues this theme from the perspective of managing working capital.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

<b>A</b>	Cost Accounting Systems	<b>30%</b>
<b>B</b>	Forecasting and Budgeting Techniques	<b>10%</b>
<b>C</b>	Project Appraisal	<b>25%</b>
<b>D</b>	Dealing with Uncertainty in Analysis	<b>15%</b>
<b>E</b>	Managing Short Term Finance	<b>20%</b>



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 20 marks

A variety of compulsory objective test questions, each worth between two and four marks. Mini scenarios may be given, to which a group of questions relate.

##### Section B – 30 marks

Six compulsory short answer questions, each worth five marks. A short scenario may be given, to which some or all questions relate.

##### Section C – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### P1 – A. COST ACCOUNTING SYSTEMS (30%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss costing methods and their results.	(a) compare and contrast marginal (or variable), throughput and absorption accounting methods in respect of profit reporting and stock valuation; (b) discuss a report which reconciles budget and actual profit using absorption and/or marginal costing principles; (c) discuss activity-based costing as compared with traditional marginal and absorption costing methods, including its relative advantages and disadvantages as a system of cost accounting; (d) apply standard costing methods, within costing systems, including the reconciliation of budgeted and actual profit margins; (e) explain why and how standards are set in manufacturing and in service industries with particular reference to the maximisation of efficiency and minimisation of waste; (f) interpret material, labour, variable overhead, fixed overhead and sales variances, distinguishing between planning and operational variances; (g) prepare reports using a range of internal and external benchmarks and interpret the results; (h) explain the impact of just-in-time manufacturing methods on cost accounting and the use of 'back-flush accounting' when work-in-progress stock is minimal.	<ul style="list-style-type: none"> <li>Marginal (or variable), throughput and absorption accounting systems of profit reporting and stock valuation.</li> <li>Activity-based costing as a system of profit reporting and stock valuation.</li> <li>Criticisms of standard costing in general and in advanced manufacturing environments in particular.</li> <li>Integration of standard costing with marginal cost accounting, absorption cost accounting and throughput accounting.</li> <li>Manufacturing standards for material, labour, variable overhead and fixed overhead.</li> <li>Price/rate and usage/efficiency variances for materials, labour and variable overhead.</li> <li>Further subdivision of total usage/efficiency variances into mix and yield components. (Note: The calculation of mix variances on both individual and average valuation bases is required).</li> <li>Fixed overhead expenditure and volume variances. (Note: the subdivision of fixed overhead volume variance into capacity and efficiency elements will not be examined).</li> <li>Planning and operational variances.</li> <li>Standards and variances in service industries (including the phenomenon of 'McDonaldization'), public services (e.g. Health), (including the use of 'diagnostic related' or 'reference' groups), and the professions (e.g. labour mix variances in audit work).</li> <li>Sales price and sales revenue/margin volume variances (calculation of the latter on a unit basis related to revenue, gross margin and contribution margin). Application of these variances to all sectors, including professional services and retail analysis.</li> <li>Interpretation of variances: interrelationship, significance.</li> <li>Benchmarking.</li> <li>Back-flush accounting in just-in-time production environments. The benefits of just-in-time production, total quality management and theory of constraints and the possible impacts of these methods on cost accounting and performance measurement.</li> </ul>

### P1 – A. COST ACCOUNTING SYSTEMS (30%) continued

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
2. explain the role of MRP and ERP systems.	(a) explain the role of MRP and ERP systems in supporting standard costing systems, calculating variances and facilitating the posting of ledger entries.	<ul style="list-style-type: none"> <li>MRP and ERP systems for resource planning and the integration of accounting functions with other systems, such as purchase ordering and production planning.</li> </ul>
3. apply principles of environmental costing.	(a) apply principles of environmental costing in identifying relevant internalised costs and externalised environmental impacts of the organisation's activities.	<ul style="list-style-type: none"> <li>Types of internalised costs relating to the environment (e.g. emissions permits, taxes, waste disposal costs) and key externalised environmental impacts, especially carbon, energy and water usage. Principles for associating such costs and impacts with activities and output.</li> </ul>

### P1 – B. FORECASTING AND BUDGETING TECHNIQUES (10%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. explain the purposes of forecasts, plans and budgets.	(a) explain why organisations prepare forecasts and plans; (b) explain the purposes of budgets, including planning, communication, co-ordination, motivation, authorisation, control and evaluation, and how these may conflict.	<ul style="list-style-type: none"> <li>The role of forecasts and plans in resource allocation, performance evaluation and control.</li> <li>The purposes of budgets and the budgeting process, and conflicts that can arise (e.g. between budgets for realistic planning and budgets based on 'hard to achieve' targets for motivation).</li> </ul>
2. prepare forecasts of financial results.	(a) calculate projected product/service volumes employing appropriate forecasting techniques; (b) calculate projected revenues and costs based on product/service volumes, pricing strategies and cost structures.	<ul style="list-style-type: none"> <li>Time series analysis including moving totals and averages, treatment of seasonality, trend analysis using regression analysis and the application of these techniques in forecasting product and service volumes.</li> <li>Fixed, variable, semi-variable and activity-based categorisations of cost and their application in projecting financial results.</li> </ul>
3. prepare budgets based on forecasts.	(a) prepare a budget for any account in the master budget, based on projections/forecasts and managerial targets; (b) apply alternative approaches to budgeting.	<ul style="list-style-type: none"> <li>Mechanics of budget construction: limiting factors, component budgets and the master budget, and their interaction.</li> <li>Alternative approaches to budget creation, including incremental approaches, zero-based budgeting and activity-based budgets.</li> </ul>

## P1 – C. PROJECT APPRAISAL (25%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. prepare information to support project appraisal.	(a) explain the processes involved in making long-term decisions; (b) apply the principles of relevant cash flow analysis to long-run projects that continue for several years; (c) calculate project cash flows, accounting for tax and inflation, and apply perpetuities to derive 'end of project' value where appropriate; (d) apply activity-based costing techniques to derive approximate 'long-run' product or service costs appropriate for use in strategic decision making; (e) explain the financial consequences of dealing with long-run projects, in particular the importance of accounting for the 'time value of money'; (f) apply sensitivity analysis to cash flow parameters to identify those to which net present value is particularly sensitive; (g) prepare decision support information for management, integrating financial and non-financial considerations.	<ul style="list-style-type: none"> <li>The process of investment decision making, including origination of proposals, creation of capital budgets, go/no go decisions on individual projects (where judgements on qualitative issues interact with financial analysis), and post audit of completed projects.</li> <li>Identification and calculation of relevant project cash flows taking account of inflation, tax, and 'final' project value where appropriate.</li> <li>Activity-based costing to derive approximate 'long-run' costs appropriate for use in strategic decision making.</li> <li>Need for and method of discounting.</li> <li>Sensitivity analysis to identify the input variables that most affect the chosen measure of project worth (payback, ARR, NPV or IRR).</li> <li>Identifying and integrating non-financial factors in long-term decisions.</li> <li>Methods of dealing with particular problems: the use of annuities in comparing projects with unequal lives and the profitability index in capital rationing situations.</li> </ul>
2. evaluate project proposals.	(a) evaluate project proposals using the techniques of investment appraisal; (b) compare and contrast the alternative techniques of investment appraisal; (c) prioritise projects that are mutually exclusive, involve unequal lives and/or are subject to capital rationing.	<ul style="list-style-type: none"> <li>The techniques of investment appraisal: payback, discounted payback, accounting rate of return, net present value and internal rate of return.</li> <li>Application of the techniques of investment appraisal to project cash flows and evaluation of the strengths and weaknesses of the techniques.</li> </ul>

## P1 – D. DEALING WITH UNCERTAINTY IN ANALYSIS (15%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. analyse information to assess the impact on decisions of variables with uncertain values.	(a) analyse the impact of uncertainty and risk on decision models that may be based on relevant cash flows, learning curves, discounting techniques etc; (b) apply sensitivity analysis to both short and long-run decision models to identify variables that might have significant impacts on project outcomes; (c) analyse risk and uncertainty by calculating expected values and standard deviations together with probability tables and histograms; (d) prepare expected value tables; (e) calculate the value of information; (f) apply decision trees.	<ul style="list-style-type: none"> <li>The nature of risk and uncertainty.</li> <li>Sensitivity analysis in decision modelling and the use of computer software for "what if" analysis.</li> <li>Assignment of probabilities to key variables in decision models.</li> <li>Analysis of probabilistic models and interpretation of distributions of project outcomes.</li> <li>Expected value tables and the value of information.</li> <li>Decision trees for multi-stage decision problems.</li> </ul>

## P1 – E. MANAGING SHORT TERM FINANCE (20%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. analyse the working capital position and identify areas for improvement.	(a) explain the importance of cash flow and working capital management; (b) interpret working capital ratios for business sectors; (c) analyse cash-flow forecasts over a twelve-month period; (d) discuss measures to improve a cash forecast situation; (e) analyse trade debtor and creditor information; (f) analyse the impacts of alternative debtor and creditor policies; (g) analyse the impacts of alternative policies for stock management.	<ul style="list-style-type: none"> <li>• The link between cash, profit and the balance sheet.</li> <li>• The credit cycle from receipt of customer order to cash receipt and the payment cycle from agreeing the order to making payment.</li> <li>• Working capital ratios (e.g. debtor days, stock days, creditor days, current ratio, quick ratio) and the working capital cycle.</li> <li>• Working capital characteristics of different businesses (e.g. supermarkets being heavily funded by creditors) and the importance of industry comparisons.</li> <li>• Cash-flow forecasts, use of spreadsheets to assist in this in terms of changing variables (e.g. interest rates, inflation) and in consolidating forecasts.</li> <li>• Variables that are most easily changed, delayed or brought forward in a forecast.</li> <li>• Methods for evaluating payment terms and settlement discounts.</li> <li>• Preparation and interpretation of age analyses of debtors and creditors.</li> <li>• Establishing collection targets on an appropriate basis (e.g. motivational issues in managing credit control).</li> <li>• Centralised versus decentralised purchasing.</li> <li>• The relationship between purchasing and stock control.</li> <li>• Principles of the economic order quantity (EOQ) model and criticisms thereof.</li> </ul>
2. identify short-term funding and investment opportunities.	(a) identify sources of short-term funding; (b) identify alternatives for investment of short-term cash surpluses; (c) identify appropriate methods of finance for trading internationally.	<ul style="list-style-type: none"> <li>• Use and abuse of trade creditors as a source of finance.</li> <li>• Types and features of short-term finance: trade creditors, overdrafts, short-term loans and debt factoring.</li> <li>• The principles of investing short term (i.e. maturity, return, security, liquidity and diversification).</li> <li>• Types of investments (e.g. interest-bearing bank accounts, negotiable instruments including certificates of deposit, short-term treasury bills, and securities).</li> <li>• The difference between the coupon on debt and the yield to maturity.</li> <li>• Export finance (e.g. documentary credits, bills of exchange, export factoring, forfeiting).</li> </ul>

## 03 The full syllabus – operational level continued

### PAPER F1 FINANCIAL OPERATIONS

#### Syllabus overview

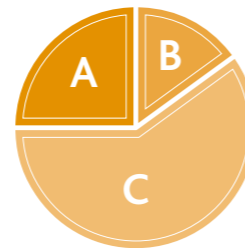
The core objectives of Paper F1 are the preparation of the full financial statements for a single company and the principal consolidated financial statements for a simple group. Coverage of a wide range of international standards is implicit in these objectives, as specified in the paper's content.

Similarly, understanding the regulatory and ethical context of financial reporting, covered in the paper, is vital to ensuring that financial statements meet users' needs. Principles of taxation are included, not only to support accounting for taxes in financial statements, but also as a basis for examining the role of tax in financial analysis and decision-making within subsequent papers (Paper F2 Financial Management and Paper F3 Financial Strategy).

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	Principles of Business Taxation	25%
B	Regulation and Ethics of Financial Reporting	15%
C	Financial Accounting and Reporting	60%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 20 marks

A variety of compulsory objective test questions, each worth between two and four marks. Mini scenarios may be given, to which a group of questions relate.

##### Section B – 30 marks

Six compulsory short answer questions, each worth five marks. A short scenario may be given, to which some or all questions relate.

##### Section C – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### F1 – A. PRINCIPLES OF BUSINESS TAXATION (25%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. explain the types of tax that can apply to incorporated businesses, their principles and potential administrative requirements.	(a) identify the principal types of taxation likely to be of relevance to an incorporated business in a particular country; (b) describe the features of the principal types of taxation likely to be of relevance to an incorporated business in a particular country; (c) explain key administrative requirements and the possible enquiry and investigation powers of taxing authorities associated with the principal types of taxation likely to be of relevance to an incorporated business; (d) explain the difference in principle between tax avoidance and tax evasion; (d) illustrate numerically the principles of different types of tax based on provided information.	<ul style="list-style-type: none"> <li>• Concepts of direct versus indirect taxes, taxable person and competent jurisdiction.</li> <li>• Types of taxation, including direct tax on the company's trading profits and capital gains, indirect taxes collected by the company, employee taxation and withholding taxes on international payments, and their features (e.g. in terms of who ultimately bears the tax cost, withholding responsibilities, principles of calculating the tax base).</li> <li>• Sources of tax rules (e.g. domestic primary legislation and court rulings, practice of the relevant taxing authority, supranational bodies, such as the EU in the case of value added/sales tax, and international tax treaties).</li> <li>• Indirect taxes collected by the company:               <ul style="list-style-type: none"> <li>– in the context of indirect taxes, the distinction between unit taxes (e.g. excise duties based on physical measures) and ad valorem taxes (e.g. sales tax based on value);</li> <li>– the mechanism of value added/sales taxes, in which businesses are liable for tax on their outputs less credits for tax paid on their inputs, including the concepts of exemption and variation in tax rates depending on the type of output and disallowance of input credits for exempt outputs.</li> </ul> </li> <li>• Employee taxation:               <ul style="list-style-type: none"> <li>– the employee as a separate taxable person subject to a personal income tax regime;</li> <li>– use of employer reporting and withholding to ensure compliance and assist tax collection.</li> </ul> </li> <li>• The need for record-keeping and record retention that may be additional to that required for financial accounting purposes.</li> <li>• The need for deadlines for reporting (filing returns) and tax payments.</li> <li>• Types of powers of tax authorities to ensure compliance with tax rules:               <ul style="list-style-type: none"> <li>– power to review and query filed returns;</li> <li>– power to request special reports or returns;</li> <li>– power to examine records (generally extending back some years);</li> <li>– powers of entry and search;</li> <li>– exchange of information with tax authorities in other jurisdictions.</li> </ul> </li> <li>• The distinction between tax avoidance and tax evasion, and how these vary among jurisdictions (including the difference between the use of statutory general anti-avoidance provisions and case law based regimes).</li> </ul>

## F1 – A. PRINCIPLES OF BUSINESS TAXATION (25%) continued

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
2. explain fundamental concepts in international taxation of incorporated businesses.	(a) identify situations in which foreign tax obligations (reporting and liability) could arise and methods for relieving foreign tax; (b) explain sources of tax rules and the importance of jurisdiction.	<ul style="list-style-type: none"> <li>International taxation:               <ul style="list-style-type: none"> <li>the concept of corporate residence and the variation in rules for its determination across jurisdictions (e.g. place of incorporation versus place of management);</li> <li>types of payments on which withholding tax may be required (especially interest, dividends, royalties and capital gains accruing to non-residents);</li> <li>means of establishing a taxable presence in another country (local company and branch);</li> <li>the effect of double tax treaties (based on the OECD Model Convention) on the above (e.g. reduction of withholding tax rates, provisions for defining a permanent establishment).</li> </ul> </li> </ul>
3. prepare corporate income tax calculations.	(a) prepare corporate income tax calculations based on a given simple set of rules.	<ul style="list-style-type: none"> <li>Direct taxes on company profits and gains:               <ul style="list-style-type: none"> <li>the principle of non-deductibility of dividends and systems of taxation defined according to the treatment of dividends in the hands of the shareholder (e.g. classical, partial imputation and imputation);</li> <li>the distinction between accounting and taxable profits in absolute terms (e.g. disallowable expenditure on revenue account, such as entertaining, and on capital account, such as formation and acquisition costs) and in terms of timing (e.g. deduction on a paid basis);</li> <li>the concept of tax depreciation replacing book depreciation in the tax computation and its calculation based on the pooling of assets by their classes, including balancing adjustments on the disposal of assets;</li> <li>the nature of rules recharacterising interest payments as dividends (e.g. where interest is based on profitability);</li> <li>potential for variation in rules for calculating the tax base dependent on the nature or source of the income (scheduler systems);</li> <li>the need for rules dealing with the relief of losses;</li> <li>principles of relief for foreign taxes by exemption, deduction and credit.</li> <li>the concept of tax consolidation (e.g. for relief of losses and deferral of capital gains on asset transfers within a group).</li> </ul> </li> </ul>
4. apply the accounting rules for current and deferred taxation.	(a) apply the accounting rules for current and deferred taxation, including calculation of deferred tax based on a given set of rules.	<ul style="list-style-type: none"> <li>Accounting treatment of taxation and disclosure requirements under IAS 12.</li> </ul>

## F1 – B. REGULATION AND ETHICS OF FINANCIAL REPORTING (15%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. explain the need for and methods of regulating accounting and financial reporting.	(a) explain the need for regulation of published accounts and the concept that regulatory regimes vary from country to country; (b) explain potential elements that might be expected in a national regulatory framework for published accounts; (c) describe the role and structure of the International Accounting Standards Board (IASB) and the International Organisation of Securities Commissions (IOSCO); (d) explain the meaning of given features or parts of the IASB's Framework for the Presentation and Preparation of Financial Statements; (e) describe the process leading to the promulgation of an IFRS; (f) describe ways in which IFRSs can interact with local regulatory frameworks; (g) explain in general terms, the role of the external auditor, the elements of the audit report and types of qualification of that report.	<ul style="list-style-type: none"> <li>The need for regulation of accounts.</li> <li>Elements in a regulatory framework for published accounts (e.g. company law, local GAAP, review of accounts by public bodies).</li> <li>GAAP based on prescriptive versus principles-based standards.</li> <li>The role and structure of the IASB and IOSCO.</li> <li>The IASB's Framework for the Presentation and Preparation of Financial Statements.</li> <li>The process leading to the promulgation of a standard practice.</li> <li>Ways in which IFRSs are used: adoption as local GAAP, model for local GAAP, persuasive influence in formulating local GAAP.</li> <li>The powers and duties of the external auditors, the audit report and its qualification for accounting statements not in accordance with best practice.</li> </ul>

### F1 – B. REGULATION AND ETHICS OF FINANCIAL REPORTING (15%) continued

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
2. apply the provisions of the CIMA Code of Ethics for Professional Accountants.	(a) explain the importance of the exercise of ethical principles in reporting and assessing information; (b) describe the sources of ethical codes for those involved in the reporting or taxation affairs of an organisation, including the external auditors; (c) apply the provisions of the CIMA Code of Ethics for Professional Accountants of particular relevance to the information reporting, assurance and tax-related activities of the accountant.	<ul style="list-style-type: none"> <li>Ethical requirements of the professional accountant in reporting and assessing information (the fundamental principles).</li> <li>Sources of ethical codes (IFAC, professional bodies, employing organisations, social/religious/personal sources).</li> <li>Provisions of the CIMA Code of Ethics for Professional Accountants of particular relevance to information reporting, assurance and tax-related activities (especially section 220 and Part C).</li> </ul>

### F1 – C. FINANCIAL ACCOUNTING AND REPORTING (60%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. prepare the full financial statements of a single company and the consolidated statements of financial position and comprehensive income for a group (in relatively straightforward circumstances).	(a) prepare a complete set of financial statements, in a form suitable for publication for a single company; (b) apply the conditions required for an undertaking to be a subsidiary or an associate of another company; (c) prepare the consolidated statement of financial position (balance sheet) and statement of comprehensive income for a group of companies in a form suitable for publication for a group of companies comprising directly held interests in one or more fully-controlled subsidiaries and associates (such interests having been acquired at the beginning of an accounting period); (d) apply the concepts of fair value at the point of acquisition, identifiability of assets and liabilities, and recognition of goodwill.	<ul style="list-style-type: none"> <li>Preparation of the financial statements of a single company, as specified in IAS 1 (revised), including the statement of changes in equity.</li> <li>Preparation of the statement of cash flows (IAS 7).</li> <li>Preparation of the consolidated statement of financial position (balance sheet) and statement of comprehensive income where: interests are directly held by the acquirer (parent) company; any subsidiary is fully controlled; and all interests were acquired at the beginning of an accounting period. (IFRS 3 and IAS 27, to the extent that their provisions are relevant to the specified learning outcomes).</li> </ul>
2. apply international standards dealing with a range of matters and items.	(a) apply the accounting rules contained in IFRSs and IASs dealing with reporting performance, non-current assets, including their impairment, inventories, disclosure of related parties to a business, construction contracts (and related financing costs), post-balance sheet events, provisions, contingencies, and leases (lessee only); (b) explain the accounting rules contained in IFRSs and IASs governing share capital transactions.	<ul style="list-style-type: none"> <li>Reporting performance: recognition of revenue, measurement of profit or loss, prior period items, discontinuing operations and segment reporting (IAS 1(revised), 8 and 18, IFRS 5 and 8).</li> <li>Property, Plant and Equipment (IAS 16): the calculation of depreciation and the effect of revaluations, changes to economic useful life, repairs, improvements and disposals.</li> <li>Research and development costs (IAS 38): criteria for capitalisation.</li> <li>Intangible Assets (IAS 38) and goodwill: recognition, valuation, amortisation.</li> <li>Impairment of Assets (IAS 36) and Non-Current Assets Held for Sale (IFRS 5) and their effects on the above.</li> <li>Inventories (IAS 2).</li> <li>The disclosure of related parties to a business (IAS 24).</li> <li>Construction contracts and related financing costs (IAS 11 and 23): determination of cost, net realisable value, the inclusion of overheads and the measurement of profit on uncompleted contracts.</li> <li>Post-balance sheet events (IAS 10).</li> <li>Provisions and contingencies (IAS 37).</li> <li>Leases (IAS 17) – distinguishing operating from finance leases and the concept of substance over form (from the Framework); accounting for leases in the books of the lessee.</li> <li>Issue and redemption of shares, including treatment of share issue and redemption costs (IAS 32 and 39), the share premium account, the accounting for maintenance of capital arising from the purchase by a company of its own shares.</li> </ul>



## 04 The full syllabus – management level

This section sets out the specific syllabus for each of the three papers at the management level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers at the operational level may also be relevant for the purposes of assessment.

### PAPER E2 ENTERPRISE MANAGEMENT

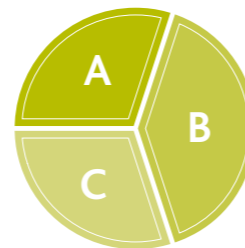
#### Syllabus overview

Paper E2 moves away from the emphasis on functional knowledge within Paper E1 Enterprise Operations, towards an holistic, integrated view of management across the organisation. Building on important concepts in strategic management, this paper develops tools and techniques for identifying the key types of competitive environment. The skills and tools of project management are also addressed. Finally, the paper introduces the skills and tools needed to work with, manage and develop teams. This includes both the legal aspects of managing individuals, as well as the softer elements of negotiation and leadership skills.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	Strategic Management and Assessing the Competitive Environment	30%
B	Project Management	40%
C	Management of Relationships	30%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 50 marks

Five compulsory medium answer questions, each worth ten marks. Short scenarios may be given, to which some or all questions relate.

##### Section B – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### E2 – A. STRATEGIC MANAGEMENT AND ASSESSING THE COMPETITIVE ENVIRONMENT (30%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. discuss different competitive environments and key external characteristics of these environments.	(a) discuss the nature of competitive environments; (b) distinguish between different types of competitive environments.	<ul style="list-style-type: none"> <li>• PEST analysis and its derivatives.</li> <li>• The use of stakeholder mapping.</li> <li>• Qualitative approaches to competitive analysis.</li> <li>• Competitor analysis and competitive strategies (both qualitative and quantitative tools of competitor analysis will be used).</li> <li>• Sources, availability and quality of data for environmental analysis.</li> <li>• Porter's Five Forces model and its use for assessing the external environment.</li> <li>• Porter's Diamond and its use for assessing the competitive advantage of nations.</li> </ul>
2. discuss developments in strategic management.	(a) discuss concepts in established and emergent thinking in strategic management; (b) compare and contrast approaches to strategy formulation; (c) explain the relationships between different levels of strategy in organisations.	<ul style="list-style-type: none"> <li>• Perspectives on the strategic management of the firm (including transaction cost, resource-based view and ecological perspective).</li> <li>• Approaches to strategy (e.g. rational, adaptive, emergent, evolutionary or system based views).</li> <li>• Levels of strategy (e.g. Corporate, business-level, functional) (Note: candidates are not expected to identify or evaluate options).</li> </ul>

## E2 – B. PROJECT MANAGEMENT (40%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss tools and techniques of project management.	(a) identify a project, a programme and their attributes; (b) apply suitable structures and frameworks to projects to identify common project management issues; (c) construct an outline of the process of project management; (d) identify the characteristics of each phase in the project process; (e) apply key tools and techniques, including the evaluation of proposals; (f) produce a basic project plan incorporating strategies for dealing with uncertainty, in the context of a simple project; (g) identify structural and leadership issues that will be faced in managing a project team; (h) compare and contrast project control systems; (i) discuss the value of post-completion audit; (j) apply a process of continuous improvement to projects.	<ul style="list-style-type: none"> <li>• The definition of a programme, a project, project management, and the contrast with repetitive operations and line management.</li> <li>• 4-D and 7-S models to provide an overview of the project process, and the nine key process areas (PMI) to show what happens during each part of the process.</li> <li>• The benefits and limitations of having a single process for managing projects.</li> <li>• Key tools for project managers (e.g. Work Breakdown Structure, network diagrams (Critical Path Analysis), Gantt charts, resource histograms, gates and milestones).</li> <li>• Earned Value Management.</li> <li>• Evaluation of plans for projects.</li> <li>• The key processes of PRINCE2 and their implications for project staff.</li> <li>• Managing scope at the outset of a project and providing systems for configuration management/change control.</li> <li>• The production of basic plans for time, cost and quality.</li> <li>• Scenario planning and buffering to make provision for uncertainty in projects, as part of the risk and opportunities management process.</li> <li>• Organisational structures, including the role of the project and matrix organisations, and their impact on project achievement.</li> <li>• Teamwork, including recognising the life-cycle of teams, team/group behaviour and selection.</li> <li>• Control of time, cost and quality through performance and conformance management systems.</li> <li>• Project completion, documentation, completion reports and system close-down.</li> <li>• The use of post-completion audit and review activities and the justification of their costs.</li> </ul>
2. evaluate the relationship of the project manager to the external environment.	(a) produce a strategy for a project; (b) recommend strategies for the management of stakeholder perceptions and expectations; (c) explain the roles of key players in a project organisation.	<ul style="list-style-type: none"> <li>• Determining and managing trade-offs between key project objectives of time, cost and quality.</li> <li>• Stakeholders (both process and outcome), their power and interest, and their needs and expectations, marketing and communications to enhance perceptions.</li> <li>• Roles of support structures, including project management offices, as well as project sponsors (SROs), boards, champions, managers and clients.</li> </ul>

## E2 – C. MANAGEMENT OF RELATIONSHIPS (30%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss concepts associated with the effective operation of an organisation.	(a) discuss the concepts of power, bureaucracy, authority, responsibility, leadership and delegation; (b) demonstrate the importance of organisational culture; (c) identify the nature and causes of conflict; (d) discuss alternative approaches to the management of conflict.	<ul style="list-style-type: none"> <li>The concepts of power, authority, bureaucracy, leadership, responsibility and delegation and their application to relationships within an organisation and outside it.</li> <li>Organisational culture: definition, classification, importance.</li> <li>The sources of conflict in organisations and the ways in which conflict can be managed to ensure that working relationships are productive and effective.</li> </ul>
2. discuss the activities associated with managing people and their associated techniques.	(a) analyse the relationship between managers and their subordinates, including legal aspects affecting work and employment; (b) discuss the roles of negotiation and communication in the management process, both within an organisation and with external bodies; (c) discuss the effectiveness of relationships between the finance function and other parts of the organisation and with external stakeholders; (d) Identify tools for managing and controlling individuals, teams and networks, and for managing group conflict; (e) compare and contrast ways to deal effectively with discipline problems; (f) explain the process and importance of mentoring junior colleagues; (g) analyse issues of business ethics and corporate governance.	<ul style="list-style-type: none"> <li>Disciplinary procedures and their operation, including the form and process of formal disciplinary action and dismissal (e.g. industrial tribunals, arbitration and conciliation).</li> <li>The nature and effect of legal issues affecting work and employment, including the application of relevant employment law (i.e. relating to health, safety, discrimination, fair treatment, childcare, contracts of employment and working time).</li> <li>Communication skills (i.e. types of communication tools and their use, as well as the utility and conduct of meetings) and ways of managing communication problems.</li> <li>Negotiation skills.</li> <li>Managing the finance function to maximise its value to the organisation through lean operation (e.g. business process outsourcing, shared service centres) and contribution to other functions (e.g. embedding finance personnel in business and strategic decision processes).</li> <li>Management of relationships with professional advisors (accounting, tax and legal), auditors and financial stakeholders (investors and financiers) to meet organisational objectives.</li> <li>The principles of corporate governance and the CIMA Code of Ethics for Professional Accountants, and their relevance to the role, obligations and expectations of a manager.</li> <li>How to lead and manage a team.</li> <li>The role of a mentor, and the process of mentoring.</li> <li>Motivating team members.</li> <li>The use of systems of control within the organisation (e.g. employment contracts, performance appraisal, reporting structures).</li> </ul>

## 04 The full syllabus – management level continued

### PAPER P2 PERFORMANCE MANAGEMENT

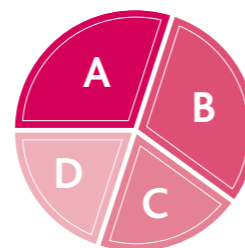
#### Syllabus overview

While Paper P2 continues the analytic theme of Paper P1 Performance Operations (for example in terms of identifying relevant costs), its main focus is on the application of information in the management processes of decision-making and control, so as to optimise performance. The first two sections deal respectively with the key contributors to operational performance – revenue (decisions of what to produce, at what price) and costs (how to manage them to maximise profitability). The role of control in monitoring and improving performance then comes to the fore in the final two sections, dealing with principles and practices in the use of responsibility centres and budgeting.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

<b>A</b>	Pricing and Product Decisions	<b>30%</b>
<b>B</b>	Cost Planning and Analysis for Competitive Advantage	<b>30%</b>
<b>C</b>	Budgeting and Management Control	<b>20%</b>
<b>D</b>	Control and Performance Measurement of Responsibility Centres	<b>20%</b>



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 50 marks

Five compulsory medium answer questions, each worth ten marks. Short scenarios may be given, to which some or all questions relate.

##### Section B – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### P2 – A. PRICING AND PRODUCT DECISIONS (30%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss concepts of cost and revenue relevant to pricing and product decisions.	(a) discuss the principles of decision-making including the identification of relevant cash flows and their use alongside non-quantifiable factors in making rounded judgements; (b) discuss the possible conflicts between cost accounting for profit reporting and stock valuation and information required for decision-making; (c) discuss the particular issues that arise in pricing decisions and the conflict between 'marginal cost' principles and the need for full recovery of all costs incurred.	<ul style="list-style-type: none"> <li>Relevant cash flows and their use in short-term decisions, typically concerning acceptance/rejection of contracts, pricing and cost/benefit comparisons.</li> <li>The importance of strategic, intangible and non-financial judgements in decision-making.</li> <li>Relevant costs and revenues in decision-making and their relation to accounting concepts.</li> <li>Marginal and full cost recovery as bases for pricing decisions in the short and long-term.</li> </ul>

## P2 – A. PRICING AND PRODUCT DECISIONS (30%) continued

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
2. analyse short-term pricing and product decisions.	(a) explain the usefulness of dividing costs into variable and fixed components in the context of short-term decision making; (b) interpret variable/fixed cost analysis in multiple product contexts to break-even analysis and product mix decision making, including circumstances where there are multiple constraints and linear programming methods are needed to identify 'optimal' solutions; (c) discuss the meaning of 'optimal' solutions and how linear programming methods can be employed for profit maximising, revenue maximising and satisfying objectives; (d) analyse the impact of uncertainty and risk on decision models based on CVP analysis.	<ul style="list-style-type: none"> <li>Simple product mix analysis in situations where there are limitations on product/service demand and one other production constraint.</li> <li>Multi-product break-even analysis, including break-even and profit/volume charts, contribution/sales ratio, margin of safety etc.</li> <li>Linear programming for more complex situations involving multiple constraints. Solution by graphical methods of two variable problems, together with understanding of the mechanics of simplex solution, shadow prices etc. (Note: questions requiring the full application of the simplex algorithm will not be set although candidates should be able to formulate an initial tableau, interpret a final simplex tableau and apply the information it contained in a final tableau).</li> <li>Sensitivity analysis of CVP-based decision models.</li> </ul>
3. discuss pricing strategies and their consequences.	(a) apply an approach to pricing based on profit maximisation in imperfect markets; (b) discuss the financial consequences of alternative pricing strategies; (c) explain why joint costs must be allocated to final products for financial reporting purposes, but why this is unhelpful when decisions concerning process and product viability have to be taken.	<ul style="list-style-type: none"> <li>Pricing decisions for profit maximising in imperfect markets. (Note: tabular methods of solution are acceptable).</li> <li>Pricing strategies and the financial consequences of market skimming, premium pricing, penetration pricing, loss leaders, product bundling/optional extras and product differentiation to appeal to different market segments.</li> <li>The allocation of joint costs and decisions concerning process and product viability based on relevant costs and revenues.</li> </ul>

## P2 – B. COST PLANNING AND ANALYSIS FOR COMPETITIVE ADVANTAGE (30%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. evaluate techniques for analysing and managing costs for competitive advantage	(a) compare and contrast value analysis and functional cost analysis; (b) evaluate the impacts of just-in-time production, the theory of constraints and total quality management on efficiency, inventory and cost; (c) explain the concepts of continuous improvement and Kaizen costing that are central to total quality management; (d) prepare cost of quality reports; (e) apply learning curves to estimate time and cost for new products and services; (f) apply the techniques of activity-based management in identifying cost drivers/activities; (g) explain how process re-engineering can be used to eliminate non-value adding activities and reduce activity costs; (h) explain how target costs can be derived from target prices and the relationship between target costs and standard costs; (i) discuss the concept of life cycle costing and how life cycle costs interact with marketing strategies at each stage of the life cycle. (j) discuss the concept of the value chain and the management of contribution/profit generated throughout the chain; (k) discuss gain sharing arrangements whereby contractors and customers benefit if contract targets for cost, delivery etc. are beaten; (l) analyse direct customer profitability and extend this analysis to distribution channel profitability through the application of activity-based costing ideas; (m) apply Pareto analysis as a convenient technique for identifying key elements of data and in presenting the results of other analyses, such as activity-based profitability calculations.	<ul style="list-style-type: none"> <li>Value analysis and quality function deployment.</li> <li>The benefits of just-in-time production, total quality management and theory of constraints and the implications of these methods for decision-making in the 'new manufacturing environment'.</li> <li>Kaizen costing, continuous improvement and cost of quality reporting.</li> <li>Learning curves and their use in predicting product/service costs, including derivation of the learning rate and the learning index.</li> <li>Activity-based management in the analysis of overhead and its use in improving the efficiency of repetitive overhead activities.</li> <li>Target costing.</li> <li>Life cycle costing and implications for marketing strategies.</li> <li>The value chain and supply chain management, including the trend to outsource manufacturing operations to transition and developing economies.</li> <li>Gain sharing arrangements in situations where, because of the size of the project, a limited number of contractors or security issues (e.g. in defence work), normal competitive pressures do not apply.</li> <li>The use of direct and activity-based cost methods in tracing costs to 'cost objects', such as customers or distribution channels, and the comparison of such costs with appropriate revenues to establish 'tiered' contribution levels, as in the activity-based cost hierarchy.</li> <li>Pareto analysis.</li> </ul>

## P2 – C. BUDGETING AND MANAGEMENT CONTROL (20%)

Learning outcomes On completion of their studies students should be able to:		Indicative syllabus content
Lead	Component	
1. explain the principles that underlie the use of budgets in control.	(a) explain the concepts of feedback and feed-forward control and their application in the use of budgets for planning and control; (b) explain the concept of responsibility accounting and its importance in the construction of functional budgets that support the overall master budget; (c) identify controllable and uncontrollable costs in the context of responsibility accounting and why uncontrollable costs may or may not be allocated to responsibility centres.	<ul style="list-style-type: none"> <li>Control system concepts.</li> <li>The use of budgets in planning: 'rolling budgets' for adaptive planning.</li> <li>Responsibility accounting and the use of budgets for control: controllable costs and; treatment of uncontrollable costs; the conceptual link between standard costing and budget flexing.</li> </ul>
2. evaluate performance using budgets, recognising alternative approaches and sensitivity to variable factors.	(a) evaluate projected performance using ratio analysis; (b) evaluate the consequences of "what if" scenarios and their impact on the master budget; (c) evaluate performance using fixed and flexible budget reports.	<ul style="list-style-type: none"> <li>Assessing the financial consequences of projected performance through key metrics including profitability, liquidity and asset turnover ratios.</li> <li>What-if analysis based on alternate projections of volumes, prices and cost structures and the use of spreadsheets in facilitating these analyses.</li> <li>The evaluation of out-turn performance using variances based on 'fixed' and 'flexed' budgets.</li> </ul>
3. discuss the broader managerial issues arising from the use of budgets in control.	(a) discuss the impact of budgetary control systems and setting of standard costs on human behaviour; (b) discuss the role of non-financial performance indicators; (c) compare and contrast traditional approaches to budgeting with recommendations based on the 'balanced scorecard'; (d) discuss the criticisms of budgeting, particularly from the advocates of 'beyond budgeting' techniques.	<ul style="list-style-type: none"> <li>Behavioural issues in budgeting: participation in budgeting and its possible beneficial consequences for ownership and motivation; participation in budgeting and its possible adverse consequences for 'budget padding' and manipulation; setting budget targets for motivation; implications of setting standard costs etc.</li> <li>Non-financial performance indicators.</li> <li>Criticisms of budgeting and the recommendations of the advocates of the balanced scorecard and 'beyond budgeting'.</li> </ul>

## P2 – D. CONTROL AND PERFORMANCE MEASUREMENT OF RESPONSIBILITY CENTRES (20%)

Learning outcomes On completion of their studies students should be able to:		Indicative syllabus content
Lead	Component	
1. discuss the use of responsibility centres in devising organisation structure and in management control.	(a) discuss the use of cost, revenue, profit and investment centres in devising organisation structure and in management control.	<ul style="list-style-type: none"> <li>Organisation structure and its implications for responsibility accounting.</li> </ul>
2. discuss information suitable for management decision-making in responsibility centres.	(a) discuss cost information in appropriate formats for cost centre managers, taking due account of controllable/uncontrollable costs and the importance of budget flexing; (b) discuss revenue and cost information in appropriate formats for profit and investment centre managers, taking due account of cost variability, attributable costs, controllable costs and identification of appropriate measures of profit centre 'contribution'; (c) discuss alternative measures of performance for responsibility centres.	<ul style="list-style-type: none"> <li>Presentation of financial information representing performance and recognising issues of controllable/uncontrollable costs, variable/fixed costs and tracing revenues and costs to particular cost objects.</li> <li>Return on investment and its deficiencies; the emergence of residual income and economic value added to address these.</li> </ul>
3. discuss the broader managerial issues arising from the division of the organisation into responsibility centres.	(a) discuss the likely behavioural consequences of the use of performance metrics in managing cost, profit and investment centres; (b) discuss the typical consequences of a divisional structure for performance measurement as divisions compete or trade with each other; (c) discuss the likely consequences of different approaches to transfer pricing for divisional decision making, divisional and group profitability, the motivation of divisional management and the autonomy of individual divisions; (d) discuss in principle the potential tax and currency management consequences of internal transfer pricing policy.	<ul style="list-style-type: none"> <li>The behavioural consequences of performance management and control.</li> <li>The theory of transfer pricing, including perfect, imperfect and no market for the intermediate good.</li> <li>Use of negotiated, market, cost-plus and variable cost based transfer prices. 'Dual' transfer prices and lump sum payments as means of addressing some of the issues that arise.</li> <li>The interaction of transfer pricing and tax liabilities in international operations and implications for currency management and possible distortion of internal company operations in order to comply with Tax Authority directives.</li> </ul>

## 04 The full syllabus – management level continued

### PAPER F2 FINANCIAL MANAGEMENT

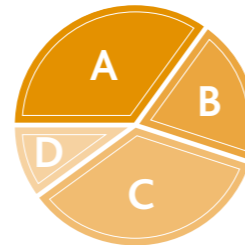
#### Syllabus overview

Paper F2 extends the scope of Paper F1 Financial Operations to more advanced topics in financial accounting (preparation of full consolidated financial statements and issues of principle in accounting standards dealing with more complex areas) and to developments in external reporting. With the advanced level of financial accounting and reporting achieved in this paper, the analysis and interpretation of accounts becomes more meaningful and this constitutes a substantial element.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	Group Financial Statements	35%
B	Issues in Recognition and Measurement	20%
C	Analysis and Interpretation of Financial Accounts	35%
C	Developments in External Reporting	10%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 50 marks

Five compulsory medium answer questions, each worth ten marks. Short scenarios may be given, to which some or all questions relate.

##### Section B – 50 marks

One or two compulsory questions. Short scenarios may be given, to which questions relate.

### F2 – A. GROUP FINANCIAL STATEMENTS (35%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. prepare the full consolidated statements of a single company and the consolidated statements of financial position and comprehensive income for a group (in relatively complex circumstances).	(a) prepare a complete set of consolidated financial statements in a form suitable for publication for a group of companies; (b) demonstrate the impact on group financial statements where: there is a minority interest; the interest in a subsidiary or associate is acquired or disposed of part way through an accounting period (to include the effective date of acquisition and dividends out of pre-acquisition profits); shareholdings, or control, are acquired in stages; intra-group trading and other transactions occur; the value of goodwill is impaired; (c) apply the concept of a joint venture and how various types are accounted for.	<ul style="list-style-type: none"> <li>Relationships between investors and investees, meaning of control and circumstances in which a subsidiary is excluded from consolidation.</li> <li>The preparation of consolidated financial statements (including the group cash flow statement and statement of changes in equity) involving one or more subsidiaries, sub-subsidiaries and associates (IAS 1(revised), 7 and 27, IFRS 3).</li> <li>The treatment in consolidated financial statements of minority interests, pre and post- acquisition reserves, goodwill (including its impairment), fair value adjustments, intra-group transactions and dividends, piece-meal and mid-year acquisitions, and disposals to include sub-subsidiaries and mixed groups.</li> <li>The accounting treatment of associates and joint ventures (IAS 28 and 31) using the equity method and proportional consolidation method.</li> </ul>
2. explain the principles of accounting for capital schemes and foreign exchange rate changes.	(a) explain the principles of accounting for a capital reconstruction scheme or a demerger; (b) explain foreign currency translation principles, including the difference between the closing rate/net investment method and the historical rate method; (c) explain the correct treatment for foreign loans financing foreign equity investments.	<ul style="list-style-type: none"> <li>Accounting for reorganisations and capital reconstruction schemes.</li> <li>Foreign currency translation (IAS 21), to include overseas transactions and investments in overseas subsidiaries.</li> </ul>

## F2 – B. ISSUES IN RECOGNITION AND MEASUREMENT (20%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss accounting principles and their relevance to accounting issues of contemporary interest.	(a) discuss the problems of profit measurement and alternative approaches to asset valuations; (b) discuss measures to reduce distortion in financial statements when price levels change; (c) discuss the principle of substance over form applied to a range of transactions; (d) discuss the possible treatments of financial instruments in the issuer's accounts (i.e. liabilities versus equity, and the implications for finance costs); (e) discuss circumstances in which amortised cost, fair value and hedge accounting are appropriate for financial instruments, the principles of these accounting methods and considerations in the determination of fair value; (f) discuss the recognition and valuation issues concerned with pension schemes (including the treatment of actuarial deficits and surpluses) and share-based payments.	<ul style="list-style-type: none"> <li>The problems of profit measurement and the effect of alternative approaches to asset valuation; current cost and current purchasing power bases and the real terms system; Financial Reporting in Hyperinflationary Economies (IAS 29).</li> <li>The principle of substance over form and its influence in dealing with transactions such as sale and repurchase agreements, consignment stock, debt factoring, securitised assets, loan transfers and public and private sector financial collaboration.</li> <li>Financial instruments classified as liabilities or shareholders funds and the allocation of finance costs over the term of the borrowing (IAS 32 and 39).</li> <li>The measurement, including methods of determining fair value, and disclosure of financial instruments (IAS 32 and 39, IFRS 7).</li> <li>Retirement benefits, including pension schemes – defined benefit schemes and defined contribution schemes, actuarial deficits and surpluses (IAS 19).</li> <li>Share-based payments (IFRS 2): types of transactions, measurement bases and accounting; determination of fair value.</li> </ul>

## F2 – C. ANALYSIS AND INTERPRETATION OF FINANCIAL ACCOUNTS (35%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. produce a ratio analysis from financial statements and supporting information.	(a) interpret a full range of accounting ratios; (b) discuss the limitations of accounting ratio analysis and analysis based on financial statements.	<ul style="list-style-type: none"> <li>Ratios in the areas of performance, profitability, financial adaptability, liquidity, activity, shareholder investment and financing, and their interpretation.</li> <li>Calculation of Earnings per Share under IAS 33, to include the effect of bonus issues, rights issues and convertible stock.</li> <li>The impact of financing structure, including use of leasing and short-term debt, on ratios, particularly gearing.</li> <li>Limitations of ratio analysis (e.g. comparability of businesses and accounting policies).</li> </ul>
2. evaluate performance and position.	(a) analyse financial statements in the context of information provided in the accounts and corporate report; (b) evaluate performance and position based on analysis of financial statements; (c) discuss segmental analysis, with inter-firm and international comparisons taking account of possible aggressive or unusual accounting policies and pressures on ethical behaviour; (d) discuss the results of an analysis of financial statements and its limitations.	<ul style="list-style-type: none"> <li>Interpretation of financial statements via the analysis of the accounts and corporate reports.</li> <li>The identification of information required to assess financial performance and the extent to which financial statements fail to provide such information.</li> <li>Interpretation of financial obligations included in financial accounts (e.g. redeemable debt, earn-out arrangements, contingent liabilities).</li> <li>Segment analysis: inter-firm and international comparison (IFRS 8).</li> <li>The need to be aware of aggressive or unusual accounting policies ("creative accounting"), e.g. in the areas of cost capitalisation and revenue recognition, and threats to the ethics of accountants from pressure to report "good results".</li> <li>Reporting the results of analysis.</li> </ul>



## F2 – D. DEVELOPMENTS IN EXTERNAL REPORTING (10%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. discuss contemporary developments in financial and non-financial reporting.	(a) discuss pressures for extending the scope and quality of external reports to include prospective and non-financial matters, and narrative reporting generally; (b) explain how information concerning the interaction of a business with society and the natural environment can be communicated in the published accounts; (c) discuss social and environmental issues which are likely to be most important to stakeholders in an organisation; (d) explain the process of measuring, recording and disclosing the effect of exchanges between a business and society – human resource accounting; (e) discuss major differences between IFRS and US GAAP, and the measures designed to contribute towards their convergence.	<ul style="list-style-type: none"> <li>Increasing stakeholder demands for information that goes beyond historical financial information and frameworks for such reporting, including, as an example of national requirements and guidelines, the UK's Business Review and the Accounting Standard Board's best practice standard, RS1, and the Global Reporting Initiative.</li> <li>Environmental and social accounting issues, differentiating between externalities and costs internalised through, for example, capitalisation of environmental expenditure, recognition of future environmental costs by means of provisions, taxation and the costs of emissions permit trading schemes.</li> <li>Non-financial measures of social and environmental impact.</li> <li>Human resource accounting.</li> <li>Major differences between IFRS and US GAAP, and progress towards convergence.</li> </ul>

## 05 The full syllabus – strategic level

This section sets out the specific syllabus for each of the three papers at the strategic level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers at the management or operational levels may also be relevant for the purposes of assessment.

### PAPER E3 ENTERPRISE STRATEGY

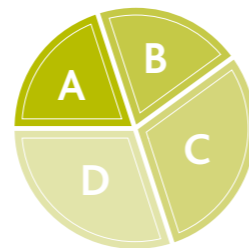
#### Syllabus overview

Paper E3 continues the integration of skills across functions, but concentrates on developing the knowledge and skills used in designing and implementing strategy. Strategy is developed in a context, and understanding how the organisation's external environment and stakeholders affect strategy development is important. Context and the internal capabilities of the organisation shape the generation and evaluation of strategic options. Implementing strategy involves tools and techniques associated with change management. Finally, the paper requires the application of tools to assist in the evaluation of the performance implications of a given strategy.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	Interacting with the Competitive Environment	20%
B	Change Management	20%
C	Evaluation of Strategic Options	30%
D	Implementation of Strategic Plans	30%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 50 marks

A maximum of four compulsory questions, totalling fifty marks, all relating to a pre-seen case study and further new unseen case material provided within the examination.

(Note: The pre-seen case study is common to all three of the strategic level papers at each examination sitting i.e. Paper E3, P3 and F3).

##### Section B – 50 marks

Two questions, from a choice of three, each worth twenty five marks. Short scenarios will be given, to which some or all questions relate.

### E3 – A. INTERACTING WITH THE COMPETITIVE ENVIRONMENT (20%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. evaluate the key external factors affecting an organisation's strategy.	(a) evaluate the impact and influence of the external environment on an organisation and its strategy; (b) recommend approaches to business/government relations and to relations with civil society; (c) discuss the drivers of external demands for corporate social responsibility and the organisation's response; (d) recommend how to manage relationships with stakeholders; (e) recommend how to interact with suppliers and customers.	<ul style="list-style-type: none"> <li>Non-market strategy and forms of corporate political activity.</li> <li>External demands for responsible business practices and ways to respond to these.</li> <li>Stakeholder management (stakeholders to include government and regulatory agencies, non-governmental organisations and civil society, industry associations, customers and suppliers).</li> <li>The customer portfolio: Customer analysis and behaviour, including the marketing audit and customer profitability analysis as well as customer retention and loyalty.</li> <li>Strategic supply chain management.</li> <li>Implications of these interactions for Chartered Management Accountants and the management accounting system.</li> </ul>
2. evaluate the impact of information systems on an organisation.	(a) evaluate the impact of the internet on an organisation and its strategy; (b) evaluate the strategic and competitive impact of information systems.	<ul style="list-style-type: none"> <li>The impact of IT (including the internet) on an organisation (utilising frameworks such as Porter's Five Forces, the Value Chain).</li> <li>Competing through exploiting information (rather than technology), e.g. use of databases to identify potential customers or market segments, and the management of data (warehousing and mining).</li> <li>Contemporary developments in the commercial use of the internet (e.g. Web 2.0).</li> </ul>

## E3 – B. CHANGE MANAGEMENT (20%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. advise on important elements in the change process.	(a) discuss the concept of organisational change; (b) recommend techniques to manage resistance to change.	<ul style="list-style-type: none"> <li>External and internal change triggers (e.g. environmental factors, mergers and acquisitions, re organisation and rationalisation).</li> <li>Stage models of change.</li> <li>Problem identification as a precursor to change.</li> <li>Cultural processes of change i.e. change within the context of the whole firm.</li> </ul>
2. evaluate tools and methods for successfully implementing a change programme.	(a) evaluate approaches to managing change; (b) compare and contrast continuous and discontinuous change; (c) evaluate tools, techniques and strategies for managing the change process; (d) evaluate the role of leadership in managing the change process.	<ul style="list-style-type: none"> <li>The importance of managing critical periods of discontinuous change.</li> <li>Tools, techniques and models associated with organisational change.</li> <li>Approaches, styles and strategies of change management.</li> <li>Importance of adaptation and continuous change.</li> <li>Leading change.</li> </ul>
3. recommend change management processes in support of strategy implementation.	(a) evaluate the role of change management in the context of strategy implementation; (b) evaluate ethical issues and their resolution in the context of organisational change.	<ul style="list-style-type: none"> <li>Change management and its role in the successful implementation of strategy.</li> <li>The advantages and disadvantages of different styles of management on the successful implementation of strategy.</li> <li>Group formation within organisation and its impact on change processes within organisations.</li> <li>Business ethics in general and the CIMA Code of Ethics for Professional Accountants (Parts A and B) in the context of implementation of strategic plans.</li> </ul>

## E3 – C. EVALUATION OF STRATEGIC POSITION AND STRATEGIC OPTIONS (30%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. evaluate the process of strategy development.	(a) evaluate the process of strategy formulation; (b) evaluate strategic options; (c) evaluate different organisational structures; (d) discuss the role and responsibilities of directors in the strategy development process.	<ul style="list-style-type: none"> <li>Mission statements and their use in orientating the organisation's strategy.</li> <li>The process of strategy formulation.</li> <li>The identification and evaluation of strategic options.</li> <li>Strategic options generation (e.g. using Ansoff's product/market matrix and Porter's generic strategies).</li> <li>Real Options as a tool for strategic analysis. Note: Complex numerical questions will not be set.</li> <li>Scenario planning and long range planning as tools in strategic decision-making.</li> <li>Game theoretic approaches to strategic planning and decision-making. Note: Complex numerical questions will not be set.</li> <li>Acquisition, divestment, rationalisation and relocations strategies and their place in the strategic plan.</li> <li>The relationship between strategy and organisational structure.</li> <li>The role and responsibilities of directors in making strategic decisions (including issues of due diligence, fiduciary responsibilities).</li> </ul>
2. evaluate tools and techniques used in strategy formulation.	(a) evaluate strategic analysis tools; (b) recommend appropriate changes to the product portfolio of an organisation to support the organisation's strategic goals; (c) produce an organisation's value chain; (d) discuss both qualitative and quantitative techniques in the support of the strategic decision making function.	<ul style="list-style-type: none"> <li>Audit of resources and the analysis of this for use in strategic decision-making.</li> <li>Forecasting and the various techniques used: trend analysis, system modelling, in-depth consultation with experts (Delphi method).</li> <li>Management of the product portfolio.</li> <li>Value chain analysis.</li> <li>Strategic decision-making processes.</li> </ul>

## E3 – D. IMPLEMENTATION OF STRATEGIC PLANS AND PERFORMANCE EVALUATION (30%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. evaluate the tools and processes of strategy implementation.	(a) recommend appropriate control measures; (b) evaluate alternative models of performance measurement; (c) recommend solutions to problems in performance measurement; (d) advise managers on the development of strategies for knowledge management and information systems that support the organisation's strategic requirements; (e) recommend changes to information systems appropriate to the organisation's strategic requirements.	<ul style="list-style-type: none"> <li>• Alternative models of performance measurement (e.g. the balanced scorecard).</li> <li>• Business unit performance and appraisal, including transfer pricing, reward systems and incentives.</li> <li>• Project management: monitoring the implementation of plans.</li> <li>• The implementation of lean systems across an organisation.</li> <li>• Theories of control within organisations and types of organisational structure (e.g. matrix, divisional, network).</li> <li>• Assessing strategic performance (i.e. the use and development of appropriate measures that are sensitive to industry characteristics and environmental factors).</li> <li>• Non-financial measures and their interaction with financial ones. (Note: candidates will be expected to use both qualitative and quantitative techniques).</li> <li>• The purpose and contents of information systems strategies, and the need for strategy complementary to the corporate and individual business strategies.</li> <li>• Critical success factors: links to performance indicators and corporate strategy, and their use as a basis for defining an organisation's information needs.</li> </ul>

## 05 The full syllabus – strategy level continued

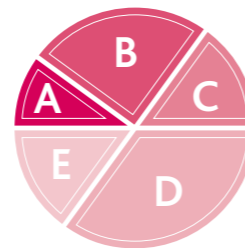
**PAPER P3**  
**PERFORMANCE STRATEGY**
**Syllabus overview**

Two key issues underpin Paper P3 – what risks does the organisation face and how can those risks be managed and controlled? The scope of the paper includes both financial and non-financial risks. The management strategies covered extend to the use of financial instruments, and more general strategies of risk identification and management, involving establishing and monitoring appropriate systems of internal control. With the growing importance of 'new' sources of risk, the paper pays particular attention to risks arising from governance, ethical and social/environmental issues.

**Syllabus structure**

The syllabus comprises the following topics and study weightings:

<b>A</b>	Management Control Systems	<b>10%</b>
<b>B</b>	Risk and Internal Control	<b>25%</b>
<b>C</b>	Review and Audit of Control Systems	<b>15%</b>
<b>D</b>	Management of Financial Risk	<b>35%</b>
<b>E</b>	Risk and Control in Information Systems	<b>15%</b>


**Assessment strategy**

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

**Section A – 50 marks**

A maximum of four compulsory questions, totalling fifty marks, all relating to a pre-seen case study and further new un-seen case material provided within the examination.

(Note: The preseen case study is common to all three of the strategic level papers at each examination sitting i.e. paper E3, P3 and F3).

**Section B – 50 marks**

Two questions, from a choice of three, each worth twenty five marks. Short scenarios will be given, to which some or all questions relate.

**P3 – A. MANAGEMENT CONTROL SYSTEMS (10%)**

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. evaluate control systems for organisational activities and resources.	(a) evaluate appropriate control systems for the management of an organisation; (b) evaluate the appropriateness of an organisation's management accounting control systems; (c) evaluate the control of activities and resources within an organisation; (d) recommend ways in which identified weaknesses or problems associated with control systems can be avoided or solved.	<ul style="list-style-type: none"> <li>The ways in which systems are used to achieve control within the framework of an organisation (e.g. contracts of employment, policies and procedures, discipline and reward, reporting structures, performance appraisal and feedback).</li> <li>The application of control systems and related theory to the design of management accounting control systems and information systems in general (i.e. control system components, primary and secondary feedback, positive and negative feedback, open and closed-loop control).</li> <li>Structure and operation of management accounting control systems (e.g. identification of appropriate responsibility and control centres within the organisation, performance target setting, avoiding unintended behavioural consequences of using management accounting controls).</li> <li>Variation in control needs and systems dependent on organisational structure (e.g. extent of centralisation versus divisionalisation, management through strategic business units).</li> <li>Assessing how lean the management accounting system is (e.g. extent of the need for detailed costing, overhead allocation and budgeting, identification of non-value adding activities in the accounting function).</li> <li>Cost of quality applied to the management accounting function and "getting things right first time".</li> </ul>

## P3 – B. RISK AND INTERNAL CONTROL (25%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. evaluate types of risk facing an organisation.	(a) discuss ways of identifying, measuring and assessing the types of risk facing an organisation, including the organisation's ability to bear such risks; (b) evaluate risks facing an organisation.	<ul style="list-style-type: none"> <li>Types and sources of risk for business organisations: financial, commodity price, business (e.g. from fraud, employee malfeasance, litigation, contractual inadequacy, loss of product reputation), technological, external (e.g. economic and political), and corporate reputation (e.g. from environmental and social performance or health and safety) risks.</li> <li>Fraud related to sources of finance (e.g. advance fee fraud and pyramid schemes).</li> <li>Risks associated with international operations (e.g. from cultural variations and litigation risk, to loss of goods in transit and enhanced credit risk). (Note: No specific real country will be tested).</li> <li>Quantification of risk exposures (impact if an adverse event occurs) and their expected values, taking account of likelihood.</li> <li>Information required to fully report on risk exposures.</li> <li>Risk map representation of risk exposures as a basis for reporting and analysing risks.</li> </ul>
2. evaluate risk management strategies and internal controls.	(a) discuss the purposes and importance of internal control and risk management for an organisation; (b) evaluate risk management strategies; (c) evaluate the essential features of internal control systems for identifying, assessing and managing risks; (d) evaluate the costs and benefits of a particular internal control system.	<ul style="list-style-type: none"> <li>Purposes and importance of internal control and risk management for an organisation.</li> <li>Issues to be addressed in defining management's risk policy.</li> <li>The principle of diversifying risk. (Note: Numerical questions will not be set).</li> <li>Minimising the risk of fraud (e.g. fraud policy statements, effective recruitment policies and good internal controls, such as approval procedures and separation of functions, especially over procurement and cash).</li> <li>The risk manager role (including as part of a set of roles) as distinct from that of internal auditor.</li> <li>Purposes of internal control (e.g. safeguarding of shareholders' investment and company assets, facilitation of operational effectiveness and efficiency, contribution to the reliability of reporting).</li> <li>Elements in internal control systems (e.g. control activities, information and communication processes, processes for ensuring continued effectiveness etc).</li> <li>Operational features of internal control systems (e.g. embedding in company's operations, responsiveness to evolving risks, timely reporting to management).</li> <li>The pervasive nature of internal control and the need for employee training.</li> <li>Costs and benefits of maintaining the internal control system.</li> </ul>
3. evaluate governance and ethical issues facing an organisation.	(a) discuss the principles of good corporate governance, particularly as regards the need for internal controls; (b) evaluate ethical issues as a source of risk to the organisation and control mechanisms for their detection and resolution.	<ul style="list-style-type: none"> <li>The principles of good corporate governance based on those for listed companies (the Combined Code), e.g. separation of chairman and CEO roles, appointment of non-executive directors, transparency of directors' remuneration policy, relations with shareholders, the audit committee. Other examples of recommended good practice may include The King Report on Corporate Governance for South Africa, Sarbanes-Oxley Act in the USA, The Smith and Higgs Reports in the UK, etc).</li> <li>Recommendations for internal control (e.g. The Turnbull Report).</li> <li>Ethical issues identified in the CIMA Code of Ethics for Professional Accountants, mechanisms for detection in practice and supporting compliance.</li> </ul>

## P3 – C. REVIEW AND AUDIT OF CONTROL SYSTEMS (15%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. discuss the importance of management review of controls.	(a) discuss the importance of management review of controls.	<ul style="list-style-type: none"> <li>The process of review (e.g. regular reporting to management on the effectiveness of internal controls over significant risks) and audit of internal controls.</li> <li>Major tools available to assist with a review and audit process (e.g. audit planning, documenting systems, internal control questionnaires, sampling and testing).</li> </ul>
2. evaluate the process and purposes of audit in the context of internal control systems.	(a) evaluate the process of internal audit and its relationship to other forms of audit; (b) produce a plan for the audit of various organisational activities including management, accounting and information systems; (c) recommend action to avoid or solve problems associated with the audit of activities and systems; (d) recommend action to improve the efficiency, effectiveness and control of activities; (e) discuss the relationship between internal and external audit work.	<ul style="list-style-type: none"> <li>Role of the internal auditor and relationship of the internal audit to the external audit.</li> <li>Relationship of internal audit to other forms of audit (e.g. value-for-money audit, management audit, social and environmental audit).</li> <li>Operation of internal audit, the assessment of audit risk and the process of analytical review, including different types of benchmarking, their use and limitations.</li> <li>Particular relevance of the fundamental principles in CIMA's Ethical Guidelines to the conduct of an impartial and effective review of internal controls.</li> <li>Detection and investigation of fraud.</li> <li>The nature of the external audit and its process, including the implications of internal audit findings for external audit procedures.</li> </ul>
3. discuss corporate governance and ethical issues facing an organisation.	(a) discuss the principles of good corporate governance for listed companies, for conducting reviews of internal controls and reporting on compliance; (b) discuss the importance of exercising ethical principles in conducting and reporting on internal reviews.	<ul style="list-style-type: none"> <li>The principles of good corporate governance for listed companies, for the review of the internal control system and reporting on compliance.</li> <li>Application of the CIMA Code of Ethics for Professional Accountants to the resolution of ethical conflicts in the context of discoveries made in the course of internal review, especially section 210.</li> </ul>

## P3 – D. MANAGEMENT OF FINANCIAL RISK (35%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. evaluate financial risks facing an organisation.	(a) evaluate financial risks facing an organisation.	<ul style="list-style-type: none"> <li>Sources of financial risk, including those associated with international operations (e.g. hedging of foreign investment value) and trading (e.g. purchase prices and sales values).</li> <li>Transaction, translation, economic and political risk.</li> <li>Quantification of risk exposures, their sensitivities to changes in external conditions and their expected values.</li> </ul>
2. evaluate alternative risk management tools.	(a) evaluate appropriate methods for managing financial risks; (b) evaluate the effects of alternative methods of risk management; (c) discuss exchange rate theory and the impact of differential inflation rates on forecast exchange rates; (d) recommend risk management strategies and discuss their accounting implications.	<ul style="list-style-type: none"> <li>Minimising political risk (e.g. gaining government funding, joint ventures, obtaining local finance).</li> <li>Operation and features of the more common instruments for managing interest rate risk: swaps, forward rate agreements, futures and options. (Note: Numerical questions will not be set involving FRA's, futures or options. See the note below relating to the Black Scholes model).</li> <li>Operation and features of the more common instruments for managing currency risk: swaps, forward contracts, money market hedges, futures and options. (Note: The Black Scholes option pricing model will not be tested numerically, however, an understanding of the variables which will influence the value of an option should be appreciated).</li> <li>Simple graphs depicting cap, collar and floor interest rate options.</li> <li>Theory and forecasting of exchange rates (e.g. interest rate parity, purchasing power parity and the Fisher effect).</li> <li>Principles of valuation of financial instruments for management and financial reporting purposes (IAS 39), and controls to ensure that the appropriate accounting method is applied to a given instrument.</li> <li>Quantification and disclosure of the sensitivity of financial instrument values to changes in external conditions.</li> <li>Internal hedging techniques (e.g. netting and matching).</li> </ul>

## P3 – E. RISK AND CONTROL IN INFORMATION SYSTEMS (15%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. evaluate the benefits and risks associated with information-related systems .	<p>(a) advise managers on the development of information management (IM), information systems (IS) and information technology (IT) strategies that support management and internal control requirements;</p> <p>(b) evaluate IS/IT systems appropriate to an organisation's needs for operational and control information;</p> <p>(c) evaluate benefits and risks in the structuring and organisation of the IS/IT function and its integration with the rest of the business;</p> <p>(d) recommend improvements to the control of IS;</p> <p>(e) evaluate specific problems and opportunities associated with the audit and control of systems which use IT.</p>	<ul style="list-style-type: none"> <li>• The importance and characteristics of information for organisations and the use of cost-benefit analysis to assess its value.</li> <li>• The purpose and content of IM, IS and IT strategies, and their role in performance management and internal control.</li> <li>• Data collection and IT systems that deliver information to different levels in the organisation (e.g. transaction processing, decision support and executive informative systems).</li> <li>• The potential ways of organising the IT function (e.g. the use of steering committees, support centres for advice and help desk facilities, end user participation).</li> <li>• The arguments for and against outsourcing.</li> <li>• Methods for securing systems and data back-up in case of systems failure and/or data loss.</li> <li>• Minimising the risk of computer-based fraud (e.g. access restriction, password protection, access logging and automatic generation of audit trail).</li> <li>• Risks in IS/IT systems: erroneous input, unauthorised usage, imported virus infection, unlicensed use of software, theft, corruption of software, etc.</li> <li>• Risks and benefits of Internet and Intranet use by an organisation.</li> <li>• The criteria for selecting outsourcing/facilities management partners and for managing ongoing relationships, service level agreements, discontinuation/change of supplier, hand-over considerations.</li> <li>• Controls which can be designed into an information system, particularly one using IT (e.g. security, integrity and contingency controls).</li> <li>• Control and audit of systems development and implementation.</li> <li>• Techniques available to assist audit in a computerised environment (computer-assisted audit techniques e.g. audit interrogation software).</li> </ul>



## 05 The full syllabus – strategic level continued

### PAPER F3 FINANCIAL STRATEGY

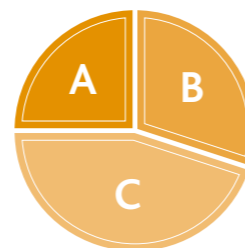
#### Syllabus overview

Paper F3 deals with the key elements in designing and managing the organisation's financial strategy, in the context of contributing to achieving the organisation's objectives and within its external constraints, such as the general regulatory and investment environment. The features and implications of the full range of major financing instruments are covered. A broad range of types of investment decision is also covered and it is recognised throughout that such decisions need to take account of broader strategic issues as well the financial analysis.

#### Syllabus structure

The syllabus comprises the following topics and study weightings:

A	Formulation of Financial Strategy	25%
B	Financing Decisions	30%
C	Investment Decisions and Project Control	45%



#### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The examination paper will have the following sections:

##### Section A – 50 marks

A maximum of four compulsory questions, totalling fifty marks, all relating to a pre-seen case study and further new un-seen case material provided within the examination.

(Note: The pre-seen case study is common to all three of the strategic level papers at each examination sitting i.e. Paper P3, E3 and F3).

##### Section B – 50 marks

Two questions, from a choice of three, each worth twenty five marks. Short scenarios will be given, to which some or all questions relate.

### F3 – A. FORMULATION OF FINANCIAL STRATEGY (25%)

Learning outcomes		Indicative syllabus content
On completion of their studies students should be able to:		
Lead	Component	
1. discuss potential strategic financial objectives, and the relationships among and constraints on the elements of financial strategy.	(a) discuss the potential strategic financial objectives of an organisation; (b) discuss the interrelationships between decisions concerning investment, financing and dividends; (c) discuss the impact of internal and external constraints on financial strategy, including the impact of regulation on business combinations.	<ul style="list-style-type: none"> <li>The financial and non-financial objectives of different organisations (e.g. value for money, maximising shareholder wealth, providing a surplus).</li> <li>The three key decisions of financial management (investment, financing and dividend) and their links.</li> <li>Benefits of matching characteristics of investment and financing in the longer term, (e.g. in cross-border investment) and in short-term hedging strategies.</li> <li>Considerations in the formulation of dividend policy and dividend decisions, including meeting the cash needs of the business.</li> <li>External constraints on financial strategy (e.g. funding, regulatory bodies, investor relations, strategy, and economic factors).</li> <li>Developing financial strategy in the context of regulatory requirements (e.g. price and service controls exercised by industry regulators) and international operations.</li> <li>The implications of regulation for business combinations. (Note: Detailed knowledge of the City Code and EU competition rules will not be tested).</li> </ul>

## F3 – A. FORMULATION OF FINANCIAL STRATEGY (25%) continued

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
2. evaluate the strategic financial strategies and objectives of an organisation and the extent of their attainment.	(a) identify an organisation's objectives in financial terms; (b) evaluate the attainment of an organisation's financial objectives; (c) evaluate current and forecast performance taking account of potential variations in economic and business factors; (d) evaluate alternative financial strategies for an organisation taking account of external assessment of the organisation by financiers and other stakeholders, including likely changes to such assessment in the light of developments in reporting.	<ul style="list-style-type: none"> <li>The financial objectives of an organisation and economic forces affecting its financial plans (e.g. interest, inflation and exchange rates).</li> <li>Assessing attainment of financial objectives.</li> <li>Use of financial analysis in the external assessment of a company (e.g. in assessing creditworthiness and compliance with financing covenants).</li> <li>Modelling and forecasting cash flows and financial statements based on expected values for economic variables (e.g. interest rates) and business variables (e.g. volume and margins) over a number of years.</li> <li>Analysis of sensitivity to changes in expected values in the above models and forecasts.</li> <li>Assessing the implications for shareholder value of alternative financial strategies, including dividend policy. (Note: Modigliani and Miller's theory of dividend irrelevancy will be tested in broad terms. The mathematical proof of the model will not be required, but some understanding of the graphical method is expected).</li> <li>The lender's assessment of creditworthiness.</li> <li>Current and emerging issues in financial reporting (e.g. proposals to amend or introduce new accounting standards) and in other forms of external reporting (e.g. environmental accounting).</li> </ul>

## F3 – B. FINANCING DECISIONS (30%)

Learning outcomes		Indicative syllabus content
Lead	Component	
On completion of their studies students should be able to:		
1. evaluate the financing requirements of an organisation and strategies for meeting those requirements.	(a) analyse the short- and long-term financing requirements of an organisation; (b) evaluate alternative methods of meeting financing requirements, taking account of the implications for the organisation's financial statements, its tax position and financial stakeholders; (c) evaluate the weighted average cost of capital of an organisation; (d) recommend methods of funding specific investments, taking account of basic tax considerations and risk exposures (to interest and currency exchange rate fluctuations); (e) recommend optimal strategies for the management of working capital and satisfaction of longer term financing requirements.	<ul style="list-style-type: none"> <li>Identifying financing requirements (both in respect of domestic and international operations) and the impacts of different types of finance on models and forecasts of performance and position.</li> <li>Working capital management strategies. (Note: No detailed testing of cash and stock management models will be set since these are covered at a lower level within the syllabus).</li> <li>Types and features of domestic and international long-term finance: share capital (ordinary and preference shares, warrants), long-term debt (bank borrowing and forms of securitised debt, e.g. convertibles) and finance leases, and methods of issuing securities.</li> <li>The operation of stock exchanges (e.g. how share prices are determined, what causes share prices to rise or fall, and the efficient market hypothesis). (Note: No detailed knowledge of any specific country's stock exchange will be tested).</li> <li>The impact of changing capital structure on the market value of a company. (Note: An understanding of Modigliani and Miller's theory of gearing, with and without taxes, will be expected, but proof of their theory will not be examined).</li> <li>The capital asset pricing model (CAPM): calculation of the cost of equity using the dividend growth model (knowledge of methods of calculating and estimating dividend growth will be expected), the ability to gear and un-gear betas and comparison to the arbitrage pricing model.</li> <li>The ideas of diversifiable risk (unsystematic risk) and systematic risk. (Note: use of the two-asset portfolio formula will not be tested).</li> <li>The cost of redeemable and irredeemable debt, including the tax shield on debt.</li> <li>The weighted average cost of capital (WACC): calculation, interpretation and uses.</li> <li>The lease or buy decision (with both operating and finance leases).</li> <li>Criteria for selecting sources of finance, including finance for international investments.</li> <li>The effect of financing decisions on balance sheet structure and on ratios of interest to investors and other financiers (gearing, earnings per share, price-earnings ratio, dividend yield, dividend cover gearing, interest cover).</li> </ul>
2. discuss the treasury function.	a) discuss the role and management of the treasury function.	<ul style="list-style-type: none"> <li>The role of the treasury function in terms of setting corporate objectives, liquidity management, funding management, and currency management.</li> <li>The advantages and disadvantages of establishing treasury departments as profit centres or cost centres, and their control.</li> </ul>

## F3 – C. INVESTMENT DECISIONS AND PROJECT CONTROL (45%)

Learning outcomes On completion of their studies students should be able to:		Indicative syllabus content
Lead	Component	
1. evaluate investment choices.	(a) analyse relevant costs, benefits and risks of an investment project; (b) evaluate investment projects (domestic and international), including their financial and strategic implications, taking account of potential variations in business and economic factors; (c) evaluate potential investments in organisations of different types and intangible assets; (d) recommend investment choice in the presence of capital rationing and/or real options.	<ul style="list-style-type: none"> <li>• Identification of a project's relevant costs (e.g. infrastructure, marketing and human resource development needs), benefits (including incremental effects on other activities as well as direct cash flows) and risks (i.e. financial and non-financial, including reputation risk arising from ethical considerations and risks of legal change or uncertainty).</li> <li>• Linking investments with customer requirements and product/service design.</li> <li>• Linking investment in IS/IT with strategic, operational and control needs (particularly where risks and benefits are difficult to quantify).</li> <li>• Calculation of a project's net present value and internal rate of return, including techniques for dealing with cash flows denominated in a foreign currency and use of the weighted average cost of capital.</li> <li>• The modified internal rate of return based on a project's "terminal value" (reflecting an assumed reinvestment rate).</li> <li>• The effects of taxation (including foreign direct and withholding taxes), potential changes in economic factors (inflation, interest and exchange rates) and potential restrictions on remittances on these calculations.</li> <li>• Recognising risk using the certainty equivalent method (when given a risk free rate and certainty equivalent values).</li> <li>• Adjusted present value. (Note: The two step method may be tested for debt introduced permanently and debt in place for the duration of the project).</li> <li>• Valuation bases for assets (e.g. historic cost, replacement cost and realisable value), earnings (e.g. price/earnings multiples and earnings yield) and cash flows (e.g. discounted cash flow, dividend yield and the dividend growth model).</li> <li>• The strengths and weaknesses of each valuation method and when each is most suitable, e.g. by reference to type of investee organisation (service, capital intensive etc).</li> <li>• Forms of intangible asset (including intellectual property rights, brands etc). and methods of valuation.</li> <li>• Application of the efficient market hypothesis to business valuations.</li> <li>• Selection of an appropriate cost of capital for use in valuation.</li> <li>• Capital investment real options (i.e. to make follow-on investment, abandon or wait).</li> <li>• Single period capital rationing for divisible and non-divisible projects. (Note: Multi-period rationing will not be tested).</li> </ul>
2. evaluate opportunities for merger, acquisition and divestment.	(a) evaluate the financial and strategic implications of proposals for mergers and acquisitions, including their terms, post-transaction values and processes, and exit strategies; (b) evaluate the financial and strategic implications of demergers and divestments.	<ul style="list-style-type: none"> <li>• Recognition of the interests of different stakeholder groups in mergers, acquisitions and company valuations.</li> <li>• The reasons for merger or acquisitions (e.g. synergistic benefits).</li> <li>• Forms of consideration and terms for acquisitions (e.g. cash, shares, convertibles and earn-out arrangements), and their financial effects.</li> <li>• The post-merger or post-acquisition integration process (e.g. management transfer and merger of systems).</li> <li>• The function/role of management buy-outs and venture capitalists.</li> <li>• Types of exit strategy and their implications.</li> <li>• The reasons for (e.g. strategic change, opportunity cost of investment) and mechanisms of demerger or divestment.</li> </ul>
3. evaluate procedures for investment projects.	(a) evaluate procedures for the implementation and control of investment projects.	<ul style="list-style-type: none"> <li>• Project implementation and control in the conceptual stage, the development stage, the construction stage and initial manufacturing/operating stage.</li> <li>• Post completion audit of investment projects.</li> </ul>

## 06 The full syllabus – professional competence level

### T4 – TEST OF PROFESSIONAL COMPETENCE IN MANAGEMENT ACCOUNTING

#### Overview

The Test of Professional Competence in Management Accounting comprises two component parts that must both be achieved in order to complete the test. Credits are used to measure success, rather than marks. To pass the Test of Professional Competence in Management Accounting, students must achieve an aggregated minimum of 75 credits – comprising a minimum of 50 credits for Part A (maximum 50 credits) and a minimum of 25 credits for Part B (maximum of 50 credits).

Students are advised to undertake Part A and Part B concurrently, although either can be taken in any order once all strategic level examinations have been completed. The overall result for the Test of Professional Competence in Management Accounting can only be given when both component parts have been completed.

### T4 – PART A INITIAL PROFESSIONAL DEVELOPMENT – WORK BASED PRACTICAL EXPERIENCE

#### Overview

Students must gain a minimum of three years' relevant work based practical experience. Experience may be drawn from any of the following three areas, but a minimum of 18 months must be gained within the 'Core' area.

Area 1 – Basic experience	Area 2 – Core experience	Area 3 – Supplementary experience
1a. Preparing and maintaining accounting records	2a. Preparation of management accounts	3a. Financial strategy
1b. Statutory and regulatory reporting	2b. Planning, budgeting and forecasting	3b. Corporate finance
1c. IT desktop skills	2c. Management reporting for decision making	3c. Treasury management
1d. Systems and procedure development	2d. Product and service costing	3d. Taxation
	2e. Information management	3e. Business evaluation and appraisal
	2f. Project appraisal	3f. Business strategy
	2g. Project management	3g. External relationships
	2h. Working capital control	
	2i. Risk management and business assurance	

Note: Some or all of the required experience may have been gained before registering as a CIMA student.

Practical experience must be recorded by students within a Career Profile and submitted to CIMA for assessment. An approved Career Profile is awarded 50 credits – the amount needed to meet the requirements for Part A of the Test of Professional Competence in Management Accounting.

Full details of the practical experience requirements and how to complete the CIMA Career Profile can be found on the CIMA website and within a separate publication entitled 'Practical Experience Requirements'. Employers and their students are advised to refer to these documents.

### T4 – PART B CASE STUDY EXAMINATION

#### Overview

The examination is based upon a case study that is set within a simulated business context relating to one or more fictionalised organisations. However, the context described in the case material is based on a real business or industry.

The examination comprises a three hour assessment of competence, completed within a supervised examination environment. It provides an integrated test of syllabus content that is mainly included within the three strategic level papers – E3, P3 and F3. However, it will also draw upon content covered within the Management and operational level papers. The Case Study Examination therefore has no specific syllabus content of its own.

The Case Study Examination primarily involves the application of strategic management accounting techniques to analyse, recommend and support decisions. Students will be required to deal with material in a less structured situation than those encountered in previous strategic level papers, and to integrate a variety of skills to arrive at a recommended solution. It is unlikely that there will be a single right answer to such a complex business problem, and students will be expected to recognise the possible alternatives in dealing with a problem.

The emphasis will be on assessing the student's capabilities and competence in the application of appropriate, relevant knowledge, the ability to demonstrate the higher level skills of synthesis, analysis and evaluation, and skill in effectively presenting and communicating information to users.

#### Assessment aims

The purpose of the Case Study Examination is to test the capabilities and competence of students, to ensure that they:

- have a sound technical knowledge of the specific subjects within the curriculum;
- can apply technical knowledge in an analytical and practical manner;
- can extract, from various subjects, the knowledge required to solve many-sided or complex problems;
- can solve a particular problem by distinguishing the relevant information from the irrelevant, in a given body of data;
- can, in multi-problem situations, identify the problems and prioritise them in the order in which they need to be addressed;
- appreciate that there can be alternative solutions and understand the role of judgement in dealing with them;
- can integrate diverse areas of knowledge and skills;
- can communicate effectively with users, including formulating realistic recommendations in a concise and logical fashion;
- can identify, advise on and/or resolve ethical dilemmas.

### Assessment strategy

There will be a written examination paper of three hours, plus 20 minutes of pre-examination question paper reading time. The paper will have a limited number of questions (requirements). They will normally be answered using a report and/or presentation, with further supporting documents, to a variety of users. The questions will be based upon:

- (a) a case study (pre-seen material), which will be published on the CIMA website at least six weeks in advance of the examination. This will provide an opportunity, before the examination, to undertake preparatory analysis based upon the pre-seen material. The volume of preseen material is likely to be between 10 and 20 sides of A4 paper;
- (b) further information regarding the case (unseen material), which will be added as part of the examination paper. This will allow further developments to be explained and additional issues to be raised. The volume of unseen material is likely to be between three and six sides of A4 paper;

Questions will test the student's capabilities and competence in the application of appropriate knowledge, and the processes undertaken in dealing with the problems identified in the examination, together with the ability to present and communicate information in a variety of formats. A 'Case Study Assessment Matrix' will be published on the CIMA website, with the pre-seen case material. The matrix will identify the assessment criteria and scoring system to be used when assessing the capabilities and competence of candidates.

To successfully pass Part B of the Test of Professional Competence in Management Accounting - Case Study Examination, students must score a minimum of 25 credits (out of a possible maximum of 50 credits).

### Learning outcomes

Students will be required to go through the following stages to prepare for, and to answer, the requirements of the Case Study Examination:

A – Preparatory to the exam:

- analyse the context within which the case is set;
- analyse the current position of the organisation;
- identify and analyse the issues facing the organisation.

Note: These activities will be undertaken using the published pre-seen case study material.

B – During the exam:

- analyse the current position of the organisation;
- identify, analyse and prioritise the issues facing the organisation;
- identify, evaluate and discuss possible feasible options/courses of action available;
- recommend a course of action;
- prepare and present information in a format and to a standard suitable for presentation to senior management.

Note: These activities will be undertaken using the pre-seen and unseen case study materials.

## 07 The examination timetable

The proposed examination timetable for May 2010 is shown on the following diagram:

	Tuesday	Wednesday	Thursday
<b>Morning session</b> 9:10am to 12:30pm	<b>PAPER E1</b> Enterprise Operations  <b>PAPER E3</b> Enterprise Strategy	<b>PAPER P1</b> Performance Operations  <b>PAPER P3</b> Performance Strategy	<b>PAPER F1</b> Financial Operations  <b>PAPER F3</b> Financial Strategy
<b>Afternoon session</b> 1:40pm to 5pm	<b>PAPER E2</b> Enterprise Management	<b>PAPER P2</b> Performance Management	<b>PAPER F2</b> Financial Management  <b>PAPER T4 – PART B</b> Test of Professional Competence in Management Accounting – Part B Case Study Examination

Note: Times shown include examination paper reading time. CIMA reserves the right to modify or change this proposed timetable as necessary to meet operational constraints.

## 08 The transition arrangements for students

### Transition from the managerial level of the 2005 qualification

Registered CIMA students who have passed examinations (or been awarded exemptions from examinations) at the managerial level of the CIMA 2005 syllabus, before the end of January 2010, will be given credits for subjects at the operational and management level in the CIMA 2010 syllabus, as shown in the following table:

2005 SYLLABUS		2010 SYLLABUS	
Managerial level		Operational level	
Paper P1	Management Accounting Performance Evaluation	Paper P1	Performance Operations
Paper P4	Organisational Management and Information Systems	Paper E1	Enterprise Operations
Paper P7	Financial Accounting and Tax Principles	Paper F1	Financial Operations
		Management level	
Paper P2	Management Accounting Decision Management	Paper P2	Performance Management
Paper P5	Integrated Management	Paper E2	Enterprise Management
Paper P8	Financial Analysis	Paper F2	Financial Management

### Transition from the strategic level of the 2005 qualification

Registered CIMA students who have passed examinations (or been awarded exemptions from examinations) at the strategic level of the CIMA 2005 syllabus, before the end of January 2010, will be given credits for subjects at the strategic level in the CIMA 2010 syllabus, as shown in the following table:

2005 SYLLABUS		2010 SYLLABUS	
Strategic level		Strategic level	
Paper P3	Management Accounting Risk and Control Strategy	Paper P3	Performance Strategy
Paper P6	Management Accounting Business Strategy	Paper E3	Enterprise Strategy
Paper P9	Management Accounting Financial Strategy	Paper F3	Financial Strategy

### Transition from TOPCIMA of the 2005 qualification

Registered CIMA students who have passed the Test of Professional Competence in Management Accounting (TOPCIMA) examination in the CIMA 2005 syllabus, before the end of January 2010, will be given a credit as shown in the following table:

2005 SYLLABUS		2010 SYLLABUS	
Professional competence level		Professional competence level	
Paper P10	Test of Professional Competence in Management Accounting (TOPCIMA)	Paper T4	Part B – Case Study Examination ONLY – Test of Professional Competence in Management Accounting





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