

# Cheat Sheet for Certified Management Accountant (CMA)

## CMA Cheat Sheet

### 1. \*\*Introduction to CMA\*\*

- **CMA Overview:** Certified Management Accountant (CMA) is a globally recognized certification in management accounting and financial management.
- **Purpose:** Validates expertise in financial planning, analysis, control, decision support, and professional ethics.

### 2. \*\*CMA Exam Structure\*\*

- **Parts:**
  - **Part 1: Financial Planning, Performance, and Analytics**
  - **Part 2: Strategic Financial Management**
- **Format:** Multiple-choice questions and essay questions.
- **Duration:** Each part is 4 hours long.

### 3. \*\*Part 1: Financial Planning, Performance, and Analytics\*\*

#### 3.1 Financial Statement Analysis

- **Key Ratios:**
  - **Liquidity Ratios:** Current Ratio, Quick Ratio
  - **Profitability Ratios:** Gross Margin, Net Profit Margin
  - **Efficiency Ratios:** Inventory Turnover, Days Sales Outstanding
  - **Leverage Ratios:** Debt to Equity Ratio, Interest Coverage Ratio
- **Trend Analysis:** Horizontal and Vertical Analysis
- **Common-Size Statements:** Balance Sheet and Income Statement

#### 3.2 Performance Measurement

- **Key Metrics:**
  - **Return on Investment (ROI):**  $\text{Net Income} / \text{Average Investment}$

- **Economic Value Added (EVA):** NOPAT - (WACC \* Capital Invested)
- **Residual Income:** Net Income - (Required Return \* Average Operating Assets)
- **Balanced Scorecard:** Financial, Customer, Internal Processes, Learning & Growth

### 3.3 Cost Management

- **Cost Classification:**
  - **Variable vs. Fixed Costs**
  - **Direct vs. Indirect Costs**
  - **Product vs. Period Costs**
- **Costing Methods:**
  - **Job Order Costing**
  - **Process Costing**
  - **Activity-Based Costing (ABC)**

### 3.4 Internal Controls

- **COSO Framework:**
  - **Components:** Control Environment, Risk Assessment, Control Activities, Information & Communication, Monitoring
- **Internal Audit:** Role, Scope, and Objectives

## 4. \*\*Part 2: Strategic Financial Management\*\*

### 4.1 Financial Decision Making

- **Capital Budgeting Techniques:**
  - **Net Present Value (NPV):**  $\sum (\text{Cash Flow} / (1 + r)^t)$
  - **Internal Rate of Return (IRR):** NPV = 0
  - **Payback Period:** Time to recover initial investment
  - **Profitability Index (PI):** NPV / Initial Investment
- **Risk Analysis:** Sensitivity Analysis, Scenario Analysis, Monte Carlo Simulation

### 4.2 Corporate Finance

- **Capital Structure:**

- **Optimal Capital Structure:** Balance between Equity and Debt
- **Weighted Average Cost of Capital (WACC):**  $(E/V * Re) + (D/V * Rd * (1 - Tc))$
- **Dividend Policy:**
  - **Types:** Stable, Constant Payout Ratio, Residual, Low-Regular-and-Extra
  - **Effects:** Impact on Stock Price, Retention of Earnings

#### 4.3 Investment Decisions

- **Portfolio Theory:**
  - **Modern Portfolio Theory (MPT):** Efficient Frontier, Risk-Return Tradeoff
  - **Capital Asset Pricing Model (CAPM):**  $Re = Rf + \beta(Rm - Rf)$
- **Market Efficiency:**
  - **Forms:** Weak, Semi-Strong, Strong
  - **Implications:** Impact on Investment Strategies

#### 4.4 Professional Ethics

- **IMA Statement of Ethical Professional Practice:**
  - **Standards:** Competence, Confidentiality, Integrity, Credibility
- **Ethical Dilemmas:**
  - **Resolution Process:** Identify, Evaluate, Develop, Implement, Follow-Up

### 5. \*\*Exam Preparation Tips\*\*

- **Study Plan:** Create a structured study schedule.
- **Practice Questions:** Regularly practice multiple-choice and essay questions.
- **Mock Exams:** Take full-length mock exams under timed conditions.
- **Review Mistakes:** Analyze and learn from incorrect answers.
- **Time Management:** Allocate time effectively during the exam.

### 6. \*\*Shortcuts and Tricks\*\*

- **Quick Calculations:** Use approximations for quick NPV and IRR calculations.
- **Memory Techniques:** Use mnemonics for remembering key ratios and formulas.

- **Highlighting:** Use highlighters to mark important sections in study materials.
- **Flashcards:** Create flashcards for quick revision of key concepts.

## 7. **\*\*Resources\*\***

- **IMA Website:** [[www.imanet.org](http://www.imanet.org)](<https://www.imanet.org>)
- **Study Guides:** Wiley, Gleim, Hock
- **Online Courses:** Coursera, Udemy, LinkedIn Learning
- **Forums and Communities:** Reddit, IMA Discussion Boards

This cheat sheet provides a comprehensive overview of the key concepts, techniques, and strategies needed to excel in the CMA exam. Use it as a quick reference and guide throughout your preparation journey. Good luck!

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