Learning Outcome Statements

IMA's Certification for Accountants and Financial Professionals in Business

Effective: September 1, 2024

Institute of Certified Management Accountants

Certified Management Accountant
Learning Outcome Statements

(Content Specification Outlines effective September 1, 2024)

Part 1 – Financial Planning, Performance, and Analytics

Section A. External Financial Reporting Decisions (15% - Levels A, B, and C)

Part 1 – Section A.1. Financial statements

For the balance sheet, income statement, statement of changes in equity, and the statement of cash flows, the candidate should be able to:

a. identify the users of these financial statements and their needs
b. demonstrate an understanding of the purposes and uses of each statement
c. identify the major components and classifications of each statement
d. identify the limitations of each financial statement
e. identify how various financial transactions affect the elements of each of the financial statements and determine the proper classification of a given transaction
f. demonstrate an understanding of the relationship among the financial statements
g. demonstrate an understanding of how a balance sheet, an income statement, a statement of changes in equity, and a statement of cash flows (indirect method) are prepared

With respect to consolidated financial statements prepared under U.S. GAAP, the candidate should be able to:

h. define consolidated financial statements
i. define the two types of consolidation models: variable interest entity model and voting interest model
j. demonstrate an understanding of the three types of consolidation accounting: full consolidation, proportionate consolidation, and equity consolidation
k. demonstrate an understanding of intracompany balances and transactions that should be eliminated in consolidation

With respect to integrated reporting, the candidate should be able to:

l. define integrated reporting, integrated thinking, and the integrated report, and demonstrate an understanding of the relationship among them
m. identify the primary purpose of integrated reporting
n. explain the fundamental concepts of value creation, the six capitals, and the value creation process
o. identify elements of an integrated report (i.e., organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, and basis of preparation and presentation)
p. identify and explain the benefits and challenges of adopting integrated reporting

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Part 1 – Section A.2. Recognition, measurement, and valuation

The candidate should be able to:

Asset valuation

a. identify issues related to the valuation of accounts receivable, including timing of recognition and estimation of the allowance for credit losses
b. distinguish between receivables sold (factoring) on a with-recourse basis and those sold on a without-recourse basis, and determine the effect on the balance sheet
c. identify issues in inventory valuation, including which goods to include, what costs to include, and which cost assumption to use
d. identify and compare cost flow assumptions used in accounting for inventories
e. demonstrate an understanding of the lower of cost or market rule for LIFO and the retail inventory method, and the lower of cost and net realizable value rule for all other inventory methods
f. calculate the effect on income and on assets of using different inventory methods
g. analyze the effects of inventory errors
h. identify advantages and disadvantages of the different inventory methods
i. recommend the inventory method and cost flow assumption that should be used for a company given a set of facts
j. demonstrate an understanding of the following debt security types: trading, available-for-sale, and held-to-maturity
k. demonstrate an understanding of the valuation of debt and equity securities
l. determine the effect on the financial statements of using different depreciation methods
m. recommend a depreciation method for a given set of data
n. demonstrate an understanding of the accounting for impairment of long-term assets and intangible assets, including goodwill

Valuation of liabilities

o. identify the classification issues of short-term debt expected to be refinanced
p. compare the effect on financial statements when using either the assurance warranty approach or the service warranty approach for accounting for warranties

Income taxes (applies to Assets and Liabilities subtopics)

q. demonstrate an understanding of interperiod tax allocation/deferred income taxes
r. distinguish between deferred tax liabilities and deferred tax assets
s. differentiate between temporary differences and permanent differences, and identify examples of each

Leases (applies to Assets and Liabilities subtopics)

t. distinguish between operating and finance leases
u. recognize the correct financial statement presentation of operating and finance leases

Equity transactions

v. identify transactions that affect paid-in capital and those that affect retained earnings

w. determine the effect on shareholders' equity of large and small stock dividends, and stock splits

Revenue recognition

x. apply revenue recognition principles to various types of transactions

y. demonstrate an understanding of revenue recognition for contracts with customers using the steps required to recognize revenue

z. demonstrate an understanding of the matching principle with respect to revenues and expenses, and be able to apply it to a specific situation

Income measurement

aa. define gains and losses, and indicate the proper financial statement presentation for gains and losses

bb. demonstrate an understanding of the treatment of gain or loss on the disposal of fixed assets

cc. demonstrate an understanding of expense recognition practices

dd. define and calculate comprehensive income

ee. identify the correct treatment of discontinued operations

GAAP – IFRS differences

Major differences in reported financial results when using GAAP vs. IFRS and the impact on analysis

ff. identify and describe the following differences between U.S. GAAP and IFRS: (i) expense recognition, with respect to share-based payments and employee benefits; (ii) intangible assets, with respect to development costs and revaluation; (iii) inventories, with respect to costing methods, valuation, and write-downs (e.g., LIFO); (iv) leases, with respect to lessee operating and finance leases; (v) long-lived assets, with respect to revaluation, depreciation, and capitalization of borrowing costs; and (vi) impairment of assets, with respect to determination, calculation, and reversal of loss

Section B. Planning, Budgeting, and Forecasting (20% - Levels A, B, and C)

Part 1 – Section B.1. Strategic planning

The candidate should be able to:

a. discuss how strategic planning determines the path an organization chooses for attaining its long-term goals, vision, and mission, and distinguish between vision and mission

b. identify the time frame appropriate for a strategic plan

c. identify the external factors that should be analyzed during the strategic planning process and understand how this analysis leads to recognition of organizational opportunities, limitations, and threats

d. identify the internal factors that should be analyzed during the strategic planning process and explain how this analysis leads to recognition of organizational strengths, weaknesses, and competitive advantages
e. demonstrate an understanding of how an organization's mission leads to the formulation of long-term business objectives, such as business diversification, the addition or deletion of product lines, or the penetration of new markets
f. explain why short-term objectives, tactics for achieving these objectives, and operational planning (master budget) must be congruent with the strategic plan and contribute to the achievement of long-term strategic goals
g. identify the characteristics of successful strategic plans
h. describe Porter's generic strategies, including cost leadership, differentiation, and focus
i. demonstrate an understanding of the following planning tools and techniques: SWOT analysis, Porter's Five forces, situational analysis, PEST analysis, scenario planning, competitive analysis, contingency planning, and the BCG Growth-Share Matrix

Part 1 – Section B.2. Budgeting concepts

The candidate should be able to:

a. describe the role that budgeting plays in the overall planning and performance evaluation process of an organization
b. explain the interrelationships between economic conditions, industry situation, and an organization's plans and budgets
c. identify the role that budgeting plays in formulating short-term objectives and in planning and controlling operations to meet those objectives
d. demonstrate an understanding of the role that budgets play in measuring performance against established goals
e. identify the characteristics that define successful budgeting processes
f. explain how the budgeting process facilitates communication among organizational units and enhances coordination of organizational activities
g. describe the concept of a controllable cost as it relates to both budgeting and performance evaluation
h. explain how the efficient allocation of organizational resources is planned during the budgeting process
i. identify the appropriate time frame for various types of budgets
j. identify who should participate in the budgeting process for optimum success
k. describe the role of top management in successful budgeting
l. demonstrate an understanding of the use of cost standards in budgeting
m. differentiate between ideal (theoretical) standards and currently attainable (practical) standards
n. differentiate between authoritative standards and participative standards
o. identify the steps to be taken in developing standards for both direct material and direct labor
p. demonstrate an understanding of the techniques that are used to develop standards, such as activity analysis and the use of historical data

q. discuss the importance of a policy that allows budget revisions that accommodate the impact of significant changes in budget assumptions
r. explain the role of budgets in monitoring and controlling expenditures to meet strategic objectives
s. define budgetary slack and discuss its impact on goal congruence

Part 1 – Section B.3. Forecasting techniques

The candidate should be able to:

a. demonstrate an understanding of a simple regression equation
b. define a multiple regression equation
c. calculate the result of a simple regression equation
d. demonstrate an understanding of learning curve analysis
e. calculate the results under a cumulative average-time learning model
f. identify the benefits and shortcomings of regression analysis and learning curve analysis
g. calculate the expected value of random variables
h. identify the benefits and shortcomings of the expected value technique
i. use probability values to estimate future cash flows

Part 1 – Section B.4. Budget methodologies

For each of the budget systems identified (annual/master budgets, project budgeting, activity-based budgeting, zero-based budgeting, continuous (rolling) budgets, and flexible budgeting), the candidate should be able to:

a. define its purpose, appropriate use, and time frame
b. identify the budget components and explain the interrelationships among the components
c. demonstrate an understanding of how the budget is developed
d. compare the benefits and limitations of the budget system
e. evaluate a business situation and recommend an appropriate budget solution
f. prepare budgets on the basis of information presented
g. calculate the impact of incremental changes to budgets

Part 1 – Section B.5. Annual profit plan and supporting schedules

The candidate should be able to:

a. explain the role of the sales budget in the development of an annual profit plan
b. identify the factors that should be considered when preparing a sales forecast
c. identify the components of a sales budget and prepare a sales budget
d. explain the relationship between the sales budget and the production budget
e. identify the role that inventory levels play in the preparation of a production budget and define other factors that should be considered when preparing a production budget
f. prepare a production budget

g. demonstrate an understanding of the relationship between the direct materials budget, the direct labor budget, and the production budget
h. explain how inventory levels and procurement policies affect the direct materials budget
i. prepare a direct materials budget and a direct labor budget based on relevant information and evaluate the feasibility of achieving production goals on the basis of these budgets
j. demonstrate an understanding of the relationship between the overhead budget and the production budget
k. separate costs into their fixed and variable components
l. prepare an overhead budget
m. identify the components of a cost of goods sold budget and prepare a cost of goods sold budget
n. demonstrate an understanding of contribution margin per unit and total contribution margin, identify the appropriate use of these concepts, and calculate both unit and total contribution margin
o. identify the components of a selling and administrative expense budget
p. explain how specific components of the selling and administrative expense budget may affect the contribution margin
q. prepare an operational (operating) budget
r. prepare a capital expenditure budget
s. demonstrate an understanding of the relationship between the capital expenditure budget, the cash budget, and the pro forma financial statements
t. define the purposes of a cash budget and describe the relationship between the cash budget and all other budgets
u. demonstrate an understanding of the relationship between credit policies and purchasing (payables) policies and the cash budget
v. prepare a cash budget

Part 1 – Section B.6. Top-level planning and analysis

The candidate should be able to:

a. define the purpose of a pro forma income statement, a pro forma balance sheet, and a pro forma statement of cash flows, and demonstrate an understanding of the relationship among these statements and all other budgets
b. prepare pro forma income statements based on several revenue and cost assumptions
c. evaluate whether a company has achieved strategic objectives based on pro forma income statements
d. use financial projections to prepare a pro forma balance sheet and a pro forma statement of cash flows
e. identify the factors required to prepare medium- and long-term cash forecasts
f. use financial projections to determine required outside financing and dividend policy

Section C. Performance Management (20% - Levels A, B, and C)

Part 1 – Section C.1. Cost and variance measures

The candidate should be able to:

a. analyze performance against operational goals using measures based on revenue, manufacturing costs, nonmanufacturing costs, and profit depending on the type of center or unit being measured
b. explain the reasons for variances within a performance monitoring system
c. prepare a performance analysis by comparing actual results to the master budget, calculate favorable and unfavorable variances from the budget, and provide explanations for variances
d. identify and describe the benefits and limitations of measuring performance by comparing actual results to the master budget
e. analyze a flexible budget based on actual sales (output) volume
f. calculate the sales-volume variance and the sales-price variance
g. calculate the flexible-budget variance by comparing actual results to the flexible budget
h. investigate the flexible-budget variance to determine individual differences between actual and budgeted input prices and input quantities
i. explain how budget variance reporting is utilized in a management-by-exception environment
j. define a standard costing system and identify the reasons for adopting a standard costing system
k. demonstrate an understanding of price (rate) variances and calculate the price variances related to direct material and direct labor inputs
l. demonstrate an understanding of efficiency (usage) variances and calculate the efficiency variances related to direct material and direct labor inputs
m. demonstrate an understanding of spending and efficiency variances as they relate to fixed and variable overhead
n. calculate a sales-mix variance and explain its impact on revenue and contribution margin
o. calculate and explain a mix variance
p. calculate and explain a yield variance
q. demonstrate how price, efficiency, spending, and mix variances can be applied in service companies as well as in manufacturing companies
r. analyze factory overhead variances by calculating variable overhead spending variance, variable overhead efficiency variance, fixed overhead spending variance, and production volume variance
s. analyze variances, identify causes, and recommend corrective actions

Part 1 – Section C.2. Responsibility centers and reporting segments

The candidate should be able to:

a. identify and explain the different types of responsibility centers
b. recommend appropriate responsibility centers given a business scenario

c. calculate a contribution margin
d. analyze a contribution margin report and evaluate performance
e. identify segments that organizations evaluate, including product lines, geographical areas, or other meaningful segments
f. explain why the allocation of common costs among segments can be an issue in performance evaluation
g. identify methods for allocating common costs such as stand-alone cost allocation and incremental cost allocation
h. define transfer pricing and identify the objectives of transfer pricing
i. identify the methods for determining transfer prices, and list and explain the advantages and disadvantages of each method
j. calculate transfer prices using variable cost, full cost, market price, negotiated price, and dual-rate pricing
k. explain how transfer pricing is affected by business issues, such as the presence of outside suppliers and the opportunity costs associated with capacity usage
l. describe how special issues such as tariffs, exchange rates, taxes, currency restrictions, expropriation risk, and the availability of materials and skills affect performance evaluation in multinational companies

Part 1 – Section C.3. Performance measures

The candidate should be able to:

a. explain why performance evaluation measures should be directly related to strategic and operational goals and objectives, why timely feedback is critical, and why performance measures should be related to the factors that drive the element being measured (e.g., cost drivers and revenue drivers)
b. explain the issues involved in determining product profitability, business unit profitability, and customer profitability, including cost measurement, cost allocation, investment measurement, and valuation
c. calculate product-line profitability, business unit profitability, and customer profitability
d. evaluate customers and products on the basis of controllable margin and recommend ways to improve profitability and/or drop unprofitable customers and products
e. define and calculate ROI
f. analyze and interpret ROI calculations
g. define and calculate residual income (RI)
h. analyze and interpret RI calculations
i. compare the benefits and limitations of ROI and RI as measures of performance and explain their appropriate usage
j. explain how revenue and expense recognition policies may affect the measurement of income and reduce comparability among business units
k. explain how inventory measurement policies, joint asset sharing, and overall asset measurement policies may affect the measurement of investment and reduce comparability among business units

l. define critical success factors (CSFs) and KPIs and discuss the importance of these measures in evaluating an organization
m. define the concept of a balanced scorecard and identify its components
n. identify and describe the perspectives of a balanced scorecard, including financial, customer, internal process, and learning and growth
o. identify and describe the characteristics of an effective balanced scorecard
p. demonstrate an understanding of a strategy map and the role it plays
q. analyze and interpret a balanced scorecard and evaluate performance based on the analysis
r. recommend performance measures and a periodic reporting methodology given operational goals and actual results

Section D. Cost Management (15% - Levels A, B, and C)

Part 1 – Section D.1. Measurement concepts

The candidate should be able to:

a. calculate fixed, variable, and mixed costs, and demonstrate an understanding of the behavior of each in the long and short term and how a change in assumptions regarding cost type or relevant range affects these costs
b. identify cost objects and cost pools, and assign costs to appropriate activities
c. demonstrate an understanding of the nature and types of cost drivers and the causal relationship that exists between cost drivers and costs incurred
d. demonstrate an understanding of the various methods for measuring costs and accumulating work-in-process and finished goods inventories
e. identify and define cost measurement techniques, such as actual costing, normal costing, and standard costing; calculate costs using each of these techniques; identify the appropriate use of each technique; and describe the benefits and limitations of each technique
f. demonstrate an understanding of variable (direct) costing and absorption (full) costing and the benefits and limitations of these measurement concepts
g. calculate inventory costs, cost of goods sold, and operating profit using both variable costing and absorption costing
h. demonstrate an understanding of how the use of variable costing or absorption costing affects the value of inventory, cost of goods sold, and operating income
i. prepare summary income statements using variable costing and absorption costing
j. determine the appropriate use of joint product and by-product costing
k. demonstrate an understanding of concepts such as split-off point and separable costs
l. determine the allocation of joint product and by-product costs using the physical measure method, the sales value at split-off method, constant gross profit (gross margin) method, and the net realizable value method, and describe the benefits and limitations of each method

Part 1 – Section D.2. Costing systems

For job order costing and activity-based costing, the candidate should be able to:

a. define the nature of the system, understand the cost flows of the system, and identify its appropriate use
b. calculate inventory values and cost of goods sold
c. demonstrate an understanding of the proper accounting for normal and abnormal spoilage
d. discuss the strategic value of cost information regarding products and services, pricing, overhead allocations, and other issues
e. identify and describe the benefits and limitations of each cost accumulation system

For specific cost accumulation systems:

f. demonstrate an understanding of process costing and the concept of equivalent units (no calculations required)
g. define the elements of activity-based costing, such as cost pool, cost driver, resource driver, activity driver, and value-added activity
h. calculate product cost using an activity-based system, and compare and analyze the results with costs calculated using a traditional system
i. explain how activity-based costing can be utilized in service companies
j. demonstrate an understanding of the concept of life-cycle costing and the strategic value of including upstream costs, manufacturing costs, and downstream costs

Part 1 – Section D.3. Overhead costs

The candidate should be able to:

a. distinguish between fixed and variable overhead expenses
b. determine the appropriate time frame for classifying both variable and fixed overhead expenses
c. demonstrate an understanding of the different methods of determining overhead rates (e.g., corporate-wide rates, departmental rates, and individual cost driver rates)
d. describe the benefits and limitations of each of the methods used to determine overhead rates
e. identify the components of variable overhead expense
f. determine the appropriate allocation base for variable overhead expenses
g. calculate the per-unit variable overhead expense
h. identify the components of fixed overhead expense
i. identify the appropriate allocation base for fixed overhead expense
j. calculate the fixed overhead application rate
k. describe how fixed overhead can be over- or under-applied and how this difference should be accounted for in the cost of goods sold, work-in-process, and finished goods accounts
l. compare traditional overhead allocation with activity-based overhead allocation
m. calculate overhead expense in an activity-based costing setting

n. identify and describe the benefits derived from activity-based overhead allocation
o. explain why companies allocate the cost of service departments such as human resources or information technology to divisions, departments, or activities
p. calculate service or support department cost allocations using the direct method, the reciprocal method, the step-down method, and the dual allocation method
q. demonstrate an understanding of how regression can be used to estimate fixed costs

Part 1 – Section D.4. Supply chain management

The candidate should be able to:
a. explain supply chain management
b. define lean resource management techniques
c. identify and describe the operational benefits of implementing lean resource management techniques
d. define material requirements planning (MRP)
e. identify and describe the operational benefits of implementing a just-in-time (JIT) system
f. identify and describe the operational benefits of ERP
g. explain the concept of outsourcing and identify the benefits and limitations of choosing this option
h. describe how capacity level affects product costing, capacity management, pricing decisions, and financial statements
i. explain how using practical capacity as the denominator for the fixed cost allocation rate enhances capacity management
j. calculate the financial impact of implementing the above-mentioned methods

Part 1 – D.5. Business process improvement

The candidate should be able to:
a. define value chain analysis
b. identify the steps in value chain analysis
c. explain how value chain analysis is used to better understand a company's competitive advantage
d. define, identify, and provide examples of a value-added activity and explain how the value-added concept is related to improving performance
e. demonstrate an understanding of process analysis and business process reengineering, and calculate the resulting savings
f. define best practice analysis and discuss how it can be used by an organization to improve performance
g. demonstrate an understanding of benchmarking process performance
h. identify the benefits of benchmarking in creating a competitive advantage
i. explain the relationship between continuous improvement techniques and quality performance

j. explain the concept of continuous improvement and how it relates to implementing ideal standards and quality improvements
k. identify and describe the components of the costs of quality, commonly referred to as prevention costs, appraisal costs, internal failure costs, and external failure costs
l. calculate the financial impact of implementing the above-mentioned processes

Section E. Internal Controls (15% - Levels A, B, and C)

Part 1 – Section E.1. Governance, risk, and compliance

The candidate should be able to:

a. demonstrate an understanding of internal control risk and the management of internal control risk
b. identify and describe internal control objectives
c. explain how a company's organizational structure, policies, objectives, and goals, as well as its management philosophy and style, influence the scope and effectiveness of the control environment
d. identify the Board of Directors' responsibilities with respect to ensuring that the company is operated in the best interest of shareholders
e. identify the hierarchy of corporate governance (i.e., articles of incorporation, bylaws, policies, and procedures)
f. demonstrate an understanding of corporate governance, including rights and responsibilities of the CEO, the CFO, the Board of Directors, the audit committee, managers, and other stakeholders; and the procedures for making corporate decisions
g. describe how internal controls are designed to provide reasonable (but not absolute) assurance regarding achievement of an entity's objectives involving (i) effectiveness and efficiency of operations, (ii) reliability of financial reporting, and (iii) compliance with applicable laws and regulations
h. explain why personnel policies and procedures are integral to an efficient control environment
i. define and give examples of segregation of duties
j. explain why the following four types of functional responsibilities should be performed by different departments or different people within the same function: (i) authority to execute transactions, (ii) recording transactions, (iii) custody of assets involved in the transactions, and (iv) periodic reconciliations of the existing assets to recorded amounts
k. demonstrate an understanding of the importance of independent checks and verification
l. identify examples of safeguarding controls
m. explain how the use of prenumbered forms, as well as specific policies and procedures detailing who is authorized to receive specific documents, is a means of control
n. define inherent risk, control risk, and detection risk
o. define and distinguish between preventive controls and detective controls

p. describe the major internal control provisions of the Sarbanes-Oxley Act
q. identify the role of the Public Company Accounting Oversight Board (PCAOB) in providing guidance on the auditing of internal controls
r. differentiate between a top-down (risk-based) approach and a bottom-up approach to auditing internal controls
s. identify the PCAOB preferred approach to auditing internal controls
t. identify and describe the major internal control provisions of the Foreign Corrupt Practices Act
u. identify and describe the five major components of COSO's Internal Control—Integrated Framework
v. assess the level of internal control risk within an organization and recommend risk mitigation strategies
w. demonstrate an understanding of external auditor responsibilities, including the types of audit opinions that external auditors issue
x identify and explain methods for testing the adequacy of internal controls, including inquiry, observation, inspection, and re-performance
y. explain how to remediate internal control deficiencies

Part 1 – Section E.2. System controls and security measures

The candidate should be able to:

a. describe how the segregation of accounting duties can enhance systems security
b. identify threats to information systems, including input manipulation, program alteration, direct file alteration, data theft, sabotage, viruses, Trojan horses, theft, and phishing
c. demonstrate an understanding of how system development controls are used to enhance the accuracy, validity, safety, security, and adaptability of systems input, processing, output, and storage functions
d. identify procedures to limit access to physical hardware
e. identify means by which management can protect programs and databases from unauthorized use
f. identify input controls, processing controls, and output controls and describe why each of these controls is necessary
g. identify and describe the types of storage controls and demonstrate an understanding of when and why they are used
h. identify and describe the inherent risks of using the internet as compared to data transmissions over secured transmission lines
i. define data encryption and describe why there is a much greater need for data encryption methods when using the internet
j. identify a firewall and its uses
k. demonstrate an understanding of how flowcharts of activities are used to assess controls
l. explain the importance of backing up all program and data files regularly, and storing the backups at a secure remote site
m. define business continuity planning

n. define the objective of a disaster recovery plan and identify the components of such a plan including hot, warm, and cold sites

Section F. Technology and Analytics (15% - Levels A, B, and C)

As indicated in the Content Specification Outlines, candidates are assumed to understand basic statistics, including measures of central tendency and dispersion.

Part 1 – Section F.1. Information systems

The candidate should be able to:

a. identify the role of the accounting information system (AIS) in the value chain
b. demonstrate an understanding of the accounting information system cycles, including revenue to cash; expenditures; production; human resources and payroll; financing; and property, plant, and equipment, as well as the general ledger and reporting system
c. identify and explain the challenges of having separate financial and nonfinancial systems
d. define ERP and identify and explain the advantages and disadvantages of ERP
e. explain how ERP helps overcome the challenges of separate financial and nonfinancial systems, integrating all aspects of an organization's activities
f. define relational database and demonstrate an understanding of a database management system
g. define data warehouse and data mart
h. define enterprise performance management (EPM) (also known as corporate performance management (CPM) or business performance management (BPM))
i. discuss how EPM can facilitate business planning and performance management

Part 1 – Section F.2. Data governance

The candidate should be able to:

a. define data governance and data management
b. demonstrate a general understanding of data governance frameworks, including COSO's Internal Control—Integrated framework
c. identify the stages of the data life cycle, i.e., data capture, data maintenance, data synthesis, data usage, data analytics, data publication, data archival, and data purging
d. demonstrate an understanding of data preprocessing and the steps to convert data for further analysis, including data consolidation, data cleaning (cleansing), data transformation, and data reduction
e. discuss the importance of having a documented record retention (or records management) policy
f. identify and explain controls and tools to detect and thwart cyberattacks, such as penetration and vulnerability testing, biometrics, advanced firewalls, and access controls

Part 1 – Section F.3. Technology-enabled finance transformation

The candidate should be able to:

a. define the system development life cycle, including systems analysis, conceptual design, physical design, implementation and conversion, and operations and maintenance
b. explain the role of business process analysis in improving system performance
c. define robotic process automation (RPA) and its benefits
d. evaluate where technologies can improve efficiency and effectiveness of processing accounting data and information (e.g., artificial intelligence (AI))
e. define cloud computing and describe how it can improve efficiency
f. define software-as-a-service (SaaS) and explain its advantages and disadvantages
g. recognize potential applications of blockchain, distributed ledger, and smart contracts

Part 1 – Section F.4. Data analytics

The candidate should be able to:

Business intelligence

a. define Big Data and explain the volume, velocity, variety, and veracity of Big Data; and describe the opportunities and challenges of leveraging insight from this data
b. explain how structured, semi-structured, and unstructured data is used by a business enterprise
c. describe the progression of data, from data to information to knowledge to insight to action
d. describe the opportunities and challenges of managing data analytics
e. explain why data and data science capability are strategic assets
f. define business intelligence (BI) (i.e., the collection of applications, tools, and best practices that transform data into actionable information in order to make better decisions and optimize performance)

Data mining

g. define data mining
h. describe the challenges of data mining
i. explain why data mining is an iterative process and both an art and a science
j. explain the purpose of Structured Query Language (SQL)
k. describe how an analyst would mine large data sets to reveal patterns and provide insights

Type of data analytics

l. explain the challenge of fitting an analytics model to the data
m. define the different types of data analytics, including descriptive, diagnostic, predictive, and prescriptive

n. define clustering and classification, and determine when each of these analytic techniques would be the appropriate tool to use
o. demonstrate an understanding of multiple regression and logistic regression and recognize when these techniques are appropriate
p. calculate the result of multiple regression equations as applied to a specific situation
q. demonstrate an understanding of the coefficient of determination (R squared) and the correlation coefficient (R)
r. demonstrate an understanding of time series analyses, including trend, cyclical, seasonal, and irregular patterns
s. identify and explain the benefits and limitations of regression analysis and time series analysis
t. define standard error of the estimate, goodness of fit, and confidence interval
u. explain how to use predictive analytics techniques to draw insights and make recommendations
v. describe exploratory data analysis and how it is used to reveal patterns and discover insights
w. define sensitivity analysis and identify when it would be the appropriate tool to use
x. demonstrate an understanding of the uses of simulation models, including the Monte Carlo technique
y. identify the benefits and limitations of sensitivity analysis and simulation models
z. demonstrate an understanding of what-if (or goal-seeking) analysis
aa. identify and explain the limitations of data analytics

Visualization

bb. utilize table and graph design best practices to avoid distortion in the communication of complex information
cc. evaluate data visualization options and select the best presentation approach (e.g., histograms, box plots, scatterplots, dot plots, tables, dashboards, bar charts, pie charts, line charts, bubble charts) for a given scenario
dd. understand the benefits and limitations of visualization techniques
ee. communicate results, conclusions, and recommendations in an impactful manner using effective visualization techniques

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Part 2 – Strategic Financial Management

A. Financial Statement Analysis (20% - Levels A, B, and C)

Part 2 – Section A.1. Comparative financial statement analysis

The candidate should be able to:

a. for the balance sheet and income statement, prepare and analyze common-size financial statements (i.e., calculate percentage of assets and sales, respectively; also called vertical analysis)
b. for the balance sheet and income statement, prepare a comparative financial statement horizontal analysis (i.e., calculate year-over-year trends for every item on the financial statement compared to a base year)
c. calculate the growth rate of individual line items on the balance sheet and income statement
d. analyze financial statement data to identify patterns and trends that can be used to make business decisions

Part 2 – Section A.2. Financial ratios

Note: see the CMA Exam Financial Ratio Summary

The candidate should be able to:

Liquidity

a. calculate and interpret the current ratio, the quick (acid-test) ratio, the cash ratio, the cash flow ratio, and the net working capital ratio
b. explain how changes in one or more of the elements of current assets, current liabilities, and/or unit sales can change the liquidity ratios and calculate that impact
c. demonstrate an understanding of the liquidity of current liabilities

Leverage

d. define solvency and distinguish from liquidity
e. define operating leverage and financial leverage
f. calculate degree of operating leverage and degree of financial leverage
g. demonstrate an understanding of the effect on the capital structure and solvency of a company with a change in the composition of debt vs. equity by calculating leverage ratios
h. calculate and interpret the financial leverage ratio (equity multiplier) and determine the effect of a given change in capital structure on this ratio
i. calculate and interpret the following ratios: debt-to-equity, long-term debt-to-equity, and debt-to-total assets

j. define, calculate, and interpret the following ratios: fixed charge coverage (earnings to fixed charges), interest coverage (times interest earned), and cash flow to fixed charges
k. discuss how capital structure decisions affect the risk profile of a company

Activity

l. calculate and interpret accounts receivable turnover, inventory turnover, and accounts payable turnover
m. calculate and interpret days sales outstanding in receivables, days sales in inventory, and days purchases in accounts payable
n. define and calculate the operating cycle and the cash cycle of a company
o. calculate and interpret total asset turnover and fixed asset turnover

Profitability

p. calculate and interpret gross profit margin percentage; operating profit margin percentage; net profit margin percentage; and EBITDA margin percentage
q. calculate and interpret ROA and ROE

Market

r. calculate and interpret the market/book ratio and the price/earnings ratio
s. calculate and interpret book value per share
t. identify and explain the limitations of book value per share
u. calculate and interpret basic and diluted EPS
v. calculate and interpret earnings yield, dividend yield, dividend payout ratio, and shareholder return

General

w. identify the limitations of ratio analysis
x. demonstrate a familiarity with the sources of financial information about public companies and industry ratio averages
y. evaluate the financial strength and performance of an entity based on multiple ratios

Part 2 – Section A.3. Profitability analysis

The candidate should be able to:

a. demonstrate an understanding of the factors that contribute to inconsistent definitions of “equity,” “assets,” and “return” when using ROA and ROE
b. determine the effect on return on total assets of a change in one or more elements of the financial statements
c. identify factors to be considered in measuring income, including estimates, accounting methods, disclosure incentives, and the different needs of users
d. explain the importance of the source, stability, and trend of sales and revenue
e. demonstrate an understanding of the relationship between revenue and receivables and revenue and inventory
f. determine and analyze the effect on revenue of changes in revenue recognition and measurement methods
g. analyze cost of sales by calculating and interpreting the gross profit margin
h. distinguish between gross profit margin, operating profit margin, and net profit

margin, and analyze the effects of changes in the components of each

i. define and perform a variation analysis (percentage change over time)

j. calculate and interpret sustainable equity growth

Part 2 – Section A.4. Special issues

The candidate should be able to:

a. demonstrate an understanding of the impact of foreign exchange rate changes on financial statements
   1. identify and explain issues in the accounting for foreign operations (e.g., historical vs. current rate and the treatment of translation gains and losses)
   2. define functional currency
   3. calculate the financial ratio impact of a change in exchange rates
   4. discuss the possible impact on management and investor behavior of volatility in reported earnings

b. demonstrate an understanding of the impact of inflation on financial ratios and the reliability of financial ratios

c. describe how to adjust financial statements for changes in accounting treatments (principles, estimates, and errors) and how these adjustments impact financial ratios

d. distinguish between book value and market value, and distinguish between accounting profit and economic profit

e. identify the determinants and indicators of earnings quality and explain why they are important

B. Corporate Finance (20% - Levels A, B, and C)

Part 2 – Section B.1. Financial risk and return

The candidate should be able to:

a. calculate rates of return

b. identify and demonstrate an understanding of systematic (market) risk and unsystematic (company) risk

c. identify and demonstrate an understanding of credit risk, foreign exchange risk, interest rate risk, and market risk

d. demonstrate an understanding of the relationship between risk and return

e. distinguish between individual security risk and portfolio risk

f. demonstrate an understanding of diversification

g. define beta and explain how a change in beta impacts a security's price

h. demonstrate an understanding of the Capital Asset Pricing Model (CAPM) and calculate the expected risk-adjusted returns using CAPM

Part 2 – Section B.2. Long-term financial management

The candidate should be able to:

a. describe the term structure of interest rates and explain why it changes over time
b. define and identify the characteristics of common stock and preferred stock
c. identify and describe the basic features of a bond such as maturity, par value, coupon rate, redemption provisions, conversion provisions, covenants, options granted to the issuer or investor, indentures, and restrictions
d. identify and evaluate debt issuance or refinancing strategies
e. value bonds, common stock, and preferred stock using discounted cash flow methods
f. demonstrate an understanding of duration as a measure of bond interest rate sensitivity
g. explain how income taxes impact financing decisions
h. define and demonstrate an understanding of derivatives and their uses
i. identify and describe the basic features of futures and forwards
j. distinguish a long position from a short position
k. define options, and distinguish between a call and a put by identifying the characteristics of each
l. define strike price (exercise price), option premium, and intrinsic value
m. demonstrate an understanding of the interrelationship of the variables that comprise the value of an option (e.g., relationship between exercise price and strike price, and value of a call)
n. define interest rate and foreign currency swaps
o. define and identify characteristics of other sources of long-term financing, such as leases, convertible securities, and warrants
p. demonstrate an understanding of the relationship among inflation, interest rates, and the prices of financial instruments
q. define the cost of capital and demonstrate an understanding of its applications in capital structure decisions
r. determine weighted average cost of capital (WACC) and the cost of its individual components
s. calculate the marginal cost of capital
t. explain the importance of using marginal cost as opposed to historical cost
u. demonstrate an understanding of the use of the cost of capital in capital investment decisions
v. demonstrate an understanding of how income taxes impact capital structure and capital investment decisions
w. use the constant growth dividend discount model to value stock and demonstrate an understanding of the two-stage dividend discount model
x. demonstrate an understanding of relative or comparable valuation methods, such as price/earnings (P/E) ratios, market/book ratios, and price/sales ratios

Part 2 – Section B.3. Raising capital

The candidate should be able to:

a. identify the characteristics of the different types of financial markets and exchanges
b. demonstrate an understanding of the concept of market efficiency, including the strong form, semi-strong form, and weak form of market efficiency
c. describe the role of the credit rating agencies
d. demonstrate an understanding of the roles of investment banks, including underwriting, advice, and trading
e. define IPOs
f. define subsequent/secondary offerings
g. describe lease financing, explain its advantages and disadvantages, and calculate the net advantage to leasing using discounted cash flow concepts
h. define the different types of dividends, including cash dividends, stock dividends, and stock splits
i. identify and discuss the factors that influence the dividend policy of a company
j. demonstrate an understanding of the dividend payment process for both common and preferred stock
k. define share repurchase and explain why a company would repurchase its stock
l. define insider trading and explain why it is illegal
m. identify the advantages and disadvantages of debt financing vs. equity financing

Part 2 – Section B.4. Working capital management

The candidate should be able to:

Working capital

a. define working capital and identify its components
b. calculate net working capital
c. explain the benefit of short-term financial forecasts in the management of working capital

Cash

d. identify and describe factors influencing the levels of cash
e. identify and explain the three motives for holding cash
f. prepare forecasts of future cash flows
g. identify methods of speeding up cash collections
h. calculate the net benefit of a lockbox system
i. define concentration banking
j. demonstrate an understanding of compensating balances
k. identify methods of slowing down disbursements
l. demonstrate an understanding of disbursement float and overdraft systems

Marketable securities

m. identify and describe reasons for holding marketable securities

n. define the different types of marketable securities, including money market instruments, T-bills, treasury notes, treasury bonds, repurchase agreements, federal agency securities, banker's acceptances, commercial paper, negotiable CDs, Eurodollar CDs, and other marketable securities
o. evaluate the trade-offs among the variables in marketable security selections, including safety, marketability/liquidity, yield, maturity, and taxability
p. demonstrate an understanding of the risk and return trade-off

Accounts receivable

q. identify the factors influencing the level of receivables
r. demonstrate an understanding of the impact of changes in credit terms or collection policies on accounts receivable, working capital, and sales volume
s. define default risk
t. identify and explain the factors involved in determining an optimal credit policy

Inventory

u. define lead time and safety stock, and identify reasons for carrying inventory and the factors influencing its level
v. identify and calculate the costs related to inventory, including carrying costs, ordering costs, and shortage (stockout) costs
w. explain how a just-in-time (JIT) inventory management system helps manage inventory
x. identify the interaction between high inventory turnover and high gross margin (calculation not required)
y. demonstrate an understanding of economic order quantity (EOQ) and how a change in one variable would affect the EOQ (calculation not required)

Short-term credit and working capital cost management

z. demonstrate an understanding of how risk affects a company's approach to its current asset financing policy (aggressive, conservative, etc.)
aa. identify and describe the different types of short-term credit, including trade credit, short-term bank loans, commercial paper, lines of credit, banker's acceptances, and letters of credit
bb. estimate the annual cost and effective annual interest rate of not taking a cash discount
cc. calculate the effective annual interest rate of a bank loan with a compensating balance requirement and/or a commitment fee
dd. demonstrate an understanding of factoring accounts receivable and calculate the cost of factoring
ee. explain the maturity matching or hedging approach to financing
ff. demonstrate an understanding of the factors involved in managing the costs of working capital

General

gg. recommend a strategy for managing current assets that would fulfill a given objective

Part 2 – Section B.5. Corporate restructuring

The candidate should be able to:

a. demonstrate an understanding of the following:
   1. mergers and acquisitions, including horizontal, vertical, and conglomerate
   2. leveraged buyouts
b. identify and describe defenses against takeovers (e.g., golden parachute, leveraged recapitalization, poison pill (shareholders' rights plan), staggered Board of Directors, fair price, voting rights plan, white knight)
c. identify and describe divestiture concepts such as spin-offs, split-ups, equity carve-outs, and tracking stock
d. evaluate key factors in a company's financial situation and determine if a restructuring would be beneficial to shareholders
e. identify possible synergies in targeted mergers and acquisitions
f. value a business, a business segment, and a business combination using the discounted cash flow method
g. evaluate a proposed business combination and make a recommendation based on both quantitative and qualitative considerations

Part 2 – Section B.6. International finance

The candidate should be able to:

a. demonstrate an understanding of foreign currencies and how foreign currency affects the prices of goods and services
b. identify the variables that affect exchange rates
c. calculate whether a currency has depreciated or appreciated against another currency over time and evaluate the impact of the change
d. demonstrate how currency futures, currency swaps, and currency options can be used to manage exchange rate risk
e. calculate the net profit/loss of cross-border transactions and evaluate the impact of this net profit/loss
f. recommend methods of managing exchange rate risk and calculate the net profit/loss of the recommended methods
g. identify and explain the benefits of international diversification
h. identify and explain common trade financing methods, including cross-border factoring, letters of credit, banker's acceptances, forfaiting, and countertrade

C. Business Decision Analysis (25% - Levels A, B, and C)

Part 2 – Section C.1. Cost/volume/profit analysis

The candidate should be able to:

a. demonstrate an understanding of how cost/volume/profit (CVP) analysis (breakeven analysis) is used to examine the behavior of total revenues, total costs, and operating income as changes occur in output levels, selling prices, variable costs per unit, or fixed costs

b. calculate operating income at different operating levels
c. differentiate between costs that are fixed and costs that are variable with respect to levels of output
d. explain why the classification of fixed vs. variable costs is affected by the time frame being considered
e. calculate contribution margin per unit and total contribution margin
f. calculate the breakeven point in units and dollar sales to achieve targeted operating income or targeted net income
g. demonstrate an understanding of how changes in unit sales mix affect operating income in multiple-product situations
h. calculate multiple-product breakeven points given percentage share of sales and explain why there is no unique breakeven point in multiple-product situations
i. define, calculate, and interpret the margin of safety and the margin of safety ratio
j. explain how sensitivity analysis can be used in CVP analysis when there is uncertainty about sales
k. analyze and recommend a course of action using CVP analysis
l. demonstrate an understanding of the impact of income taxes on CVP analysis

Part 2 – Section C.2. Marginal analysis

The candidate should be able to:

a. identify and define relevant costs (incremental, marginal, or differential costs), sunk costs, avoidable costs, explicit and implicit costs, split-off point, joint production costs, separable processing costs, and relevant revenues
b. explain why sunk costs are not relevant in the decision-making process
c. demonstrate an understanding of and calculate opportunity costs
d. calculate relevant costs given a numerical scenario
e. define and calculate marginal cost and marginal revenue
f. identify and calculate total cost, average fixed cost, average variable cost, and average total cost
g. demonstrate proficiency in the use of marginal analysis for decisions
h. calculate the effect on operating income of a decision to accept or reject a special order when there is idle capacity and the order has no long-term implications
i. identify and describe qualitative factors in make-or-buy decisions, such as product quality and dependability of suppliers
j. calculate the effect on operating income of a make-or-buy decision
k. calculate the effects on operating income of a decision to sell or process further or to drop or add a segment
l. identify the effects of changes in capacity on production decisions
m. demonstrate an understanding of the impact of income taxes on marginal analysis
n. recommend a course of action using marginal analysis

Part 2 – Section C.3. Pricing

The candidate should be able to:

a. identify different pricing methodologies, including market comparables, cost-based, and value-based approaches
b. differentiate between a cost-based approach and a market-based approach to setting prices
c. calculate selling price using a cost-based approach
d. demonstrate an understanding of how a company's pricing of a product or service is affected by the demand for and supply of the product or service, as well as the market structure within which the company operates
e. demonstrate an understanding of the impact of cartels on pricing
f. demonstrate an understanding of the short-term equilibrium price for the company in (i) pure competition, (ii) monopolistic competition, (iii) oligopoly, and (iv) monopoly using the concepts of marginal revenue and marginal cost
g. identify techniques used to set prices based on understanding customers' perceptions of value and competitors' technologies, products, and costs
h. define and demonstrate an understanding of target pricing and target costing, and identify the main steps in developing target prices and target costs
i. define value engineering
j. calculate the target operating income per unit and target cost per unit
k. define and distinguish between a value-added cost and a nonvalue-added cost
l. define the pricing technique of cost plus target rate of return
m. calculate the price elasticity of demand using the midpoint formula
n. define and explain elastic and inelastic demand
o. estimate total revenue given changes in prices and demand as well as elasticity
p. discuss how pricing decisions can differ in the short term and in the long term
q. define product life cycle, identify and explain the four stages of the product life cycle, and explain why pricing decisions might differ over the life of a product
r. evaluate and recommend pricing strategies under specific market conditions

Section D. Enterprise Risk Management (10% - Levels A, B, and C)

Part 2 – Section D.1. Enterprise risk

The candidate should be able to:

a. identify and explain the different types of risk, including business risk, hazard risk, financial risk, operational risk, and strategic risk
b. demonstrate an understanding of operational risk
c. define legal risk, compliance risk, and political risk
d. demonstrate an understanding of how volatility and time impact risk
e. define the concept of capital adequacy (i.e., solvency, liquidity, reserves, and sufficient capital)
f. explain the use of probabilities in determining exposure to risk and calculate expected loss given a set of probabilities

g. define the concepts of unexpected loss and maximum possible loss (extreme or catastrophic loss)
h. identify strategies for risk response (or treatment), including actions to avoid, retain, reduce (mitigate), transfer (share), and exploit (accept) risks
i. define risk transfer (e.g., purchasing insurance, issuing debt)
j. demonstrate an understanding of the concept of residual risk and distinguish it from inherent risk
k. identify and explain the benefits of risk management
l. identify and describe the key steps in the risk management process
m. explain how attitude toward risk might affect the management of risk
n. demonstrate a general understanding of the use of liability/hazard insurance to transfer risk (detailed knowledge not required)
o. identify methods of managing operational risk
p. identify and explain financial risk management methods
q. identify and explain qualitative risk assessment tools including risk identification, risk ranking, and risk maps
r. identify and explain quantitative risk assessment tools including cash flow at risk, earnings at risk, earnings distributions, and EPS distributions
s. identify and explain Value at Risk (VaR) (calculations not required)
t. define enterprise risk management (ERM), and identify and describe key objectives, components, and benefits of an ERM program
u. identify event identification techniques and provide examples of event identification within the context of an ERM approach
v. explain how ERM practices are integrated with corporate governance, risk analytics, portfolio management, performance management, and internal control practices
w. evaluate scenarios and recommend risk mitigation strategies
x. prepare a cost-benefit analysis and demonstrate an understanding of its uses in risk assessment and decision making
y. demonstrate an understanding of the COSO Enterprise Risk Management—Integrated Framework

Section E. Capital Investment Decisions (10% - Levels A, B, and C)

Part 2 – Section E.1. Capital budgeting process

The candidate should be able to:

a. define capital budgeting and identify the steps or stages undertaken in developing and implementing a capital budget for a project
b. identify and calculate the relevant cash flows of a capital investment project on both a pretax and after-tax basis
c. demonstrate an understanding of how income taxes affect cash flows
d. distinguish between cash flows and accounting profits and discuss the relevance to capital budgeting of incremental cash flow, sunk cost, and opportunity cost
e. explain the importance of changes in net working capital in capital budgeting

f. discuss how the effects of inflation are reflected in capital budgeting analysis
g. define hurdle rate
h. identify alternative approaches to dealing with risk in capital budgeting
i. distinguish among sensitivity analysis, scenario analysis, and Monte Carlo simulation as risk analysis techniques
j. explain why a discount rate specifically adjusted for risk should be used when project cash flows are more risky or less risky than is normal for a company or business unit
k. explain how the value of a capital investment is increased if consideration is given to the possibility of adding on, speeding up, slowing down, or discontinuing early
l. demonstrate an understanding of real options, including the options to abandon, delay, expand, and scale back (calculations not required)
m. identify and discuss qualitative considerations involved in the capital budgeting decision
n. describe the role of the postaudit in the capital budgeting process

Part 2 – Section E.2. Capital investment analysis methods

The candidate should be able to:

a. demonstrate an understanding of the two main discounted cash flow (DCF) methods, NPV and IRR
b. calculate NPV and IRR
c. demonstrate an understanding of the decision criteria used in NPV and IRR analyses to determine acceptable projects
d. compare NPV and IRR focusing on the relative advantages and disadvantages of each method, particularly with respect to independent vs. mutually exclusive projects and the "multiple IRR problem"
e. explain why NPV and IRR methods can produce conflicting rankings for capital projects if not applied properly
f. identify assumptions of NPV and IRR
g. evaluate and recommend project investments on the basis of DCF analysis
h. demonstrate an understanding of the payback and discounted payback methods
i. identify the advantages and disadvantages of the payback and discounted payback methods
j. calculate payback periods and discounted payback periods
k. define and calculate the profitability index
l. describe how sensitivity analysis is used in capital investment decision analysis

Section F. Professional Ethics (15% - Levels A, B, and C)

Ethics may be tested in conjunction with any topic area.

Part 2 – Section F.1 Business ethics

The candidate should be able to:

a. define business ethics
b. define the concepts of fairness, integrity, due diligence, and fiduciary responsibility, and how they impact ethical decision making
c. identify and explain the different types of business fraud, such as asset misappropriation, manipulation of financial statements, cash and inventory theft, payroll fraud, fake suppliers, and accounts receivable fraud

Part 2 – Section F.2. Ethical considerations for management accounting and financial management professionals

Using the standards outlined in the IMA Statement of Ethical Professional Practice, the candidate should be able to:

a. identify and describe the four overarching ethical principles and the four standards
b. evaluate a given business situation for its ethical implications
c. identify and describe relevant standards that may have been violated in a given business situation and explain why the specific standards are applicable
d. recommend a course of action for management accounting and financial management professionals to take when confronted with an ethical dilemma in the business environment
e. evaluate and propose resolutions for ethical issues such as fraudulent reporting or improper manipulation of forecasts, analyses, results, and budgets

Using the fraud triangle model, the candidate should be able to:

f. identify the three components of the triangle
g. use the model to explain how a management accounting and financial management professional can identify and manage the risk of fraud

Part 2 – Section F.3. Ethical considerations for the organization

The candidate should be able to:

a. discuss the issues organizations face in applying their values and ethical standards internationally
b. demonstrate an understanding of the relationship between ethics and internal controls
c. define corporate culture and demonstrate an understanding of the role corporate culture plays in ethical decision making
d. demonstrate an understanding of the importance of a code of conduct and how it contributes to an organization's ethical culture

e. demonstrate an understanding of the ways ethical values benefit an organization
f. analyze the impact of groupthink on ethical behavior
g. discuss how diversity of thought can lead to good ethical decisions
h. demonstrate an understanding of the role of "leadership by example" or "tone at the top" in determining an organization's ethical environment
i. define ethical leadership, and identify and explain the traits of ethical leaders
j. explain the importance of creating a climate where "doing the right thing" is expected (e.g., hiring the right people, providing them with training, and practicing consistent values-based leadership)
k. explain the importance of an organization's core values and how they promote ethical behavior and ethical decision making
l. discuss the importance of employee training to maintaining an ethical organizational culture
m. explain the importance of a whistleblowing framework to maintain an ethical organizational culture
n. demonstrate an understanding of the differences between ethical and legal behavior
o. identify the purpose of anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act
p. discuss corporate responsibility for ethical conduct
q. define and demonstrate an understanding of the major issues of sustainability and social responsibility
r. identify and define the four levels of social responsibility: economic, legal, ethical, and philanthropic
s. identify and define the three conceptual spheres of sustainability: economic, environmental, and social
t. define data ethics and explain the principles of fairness, privacy, transparency, ownership, and accountability with respect to how companies and artificial intelligence (AI) models use and maintain the data they collect
u. demonstrate a general understanding of the purpose of governmental data protection regulations

Institute of Certified Management Accountants

Acronyms/Abbreviations

*The following are the acronyms/abbreviations not spelled out in the LOS. They will **not** be spelled out the first time they appear in a test question.*

CEO – Chief Executive Officer

CFO – Chief Financial Officer

COSO – Committee of Sponsoring Organizations

EBIT – earnings before interest and taxes

EBITDA – earnings before interest, taxes, depreciation, and amortization

EPS – earnings per share

ERP – enterprise resource planning

FIFO – first-in-first-out

IFRS – International Financial Reporting Standards

IRR – internal rate of return

IPO – initial public offering

KPI – key performance indicator

LIFO – last-in-first-out

NPV – net present value

PCAOB – Public Company Accounting Oversight Board

PEST - political, economic, social, and technological

PESTEL - political, economic, social, technological, environmental, and legal

R&D – research and development

ROA – return on assets

ROE – return on equity

ROI – return on investment

STEEP - social, technological, economic, environmental, and political

SWOT - strengths, weaknesses, opportunities, and threats

GAAP – Generally Accepted Accounting Principles

