CSCA Reading List

Certified in Strategy and Competitive Analysis

Strategy Textbooks referenced in the Resource Guide (listed in alphabetical order):

Note: Any ONE of these strategic management textbooks will provide an overview of the relevant material; other strategic management textbooks may provide an overview of the relevant material as well.


Management Accounting and Finance textbooks referenced in the Resource Guide:


Note: Other management accounting and finance textbooks and/or CMA Review course texts should cover the relevant material as well.

Collection of classic articles on strategy:

IMA Statements on Management Accounting useful in your preparation for the exam:

Analytical Methods
IMA Statement on Management Accounting, “Strategic Analysis – Methods for Achieving Superior and Sustainable Performance,” 2020

IMA Statement on Management Accounting, “Value Chain Analysis for Assessing Competitive Advantage,” 1996

IMA Statement on Management Accounting, “Customer Profitability Management,” 2010

Risk Management
IMA Statement on Management Accounting, “Enterprise Risk Management: Frameworks, Elements, and Integration,” 2018

IMA Statement on Management Accounting, “Enterprise Risk Management: Tools and Techniques for Effective Implementation,” 2018


Technology Enablement
IMA Statement on Management Accounting, “Developing Competitive Intelligence Capability,” 2016

Business Leadership and Ethics
IMA Statement on Management Accounting, “IMA Statement of Ethical Professional Practice,” 2017

IMA Statement on Management Accounting, “Values and Ethics: From Inception to Practice,” 2014

Business periodicals:

We strongly suggest that you read one or more of the following business periodicals to help you understand the strategies of multiple industries. Other relevant publications would help as well.

**Abbreviations**

EBIT = Earnings before interest and taxes  
EBITDA = Earnings before interest, taxes, depreciation and amortization  
EBT = Earnings before taxes  
EPS = Earnings per share  
ROA = Return on assets  
ROE = Return on equity  
ROI = Return on investment  
RI = Residual Income  
EVA® = Economic Value Added  
WACC = Weighted Average Cost of Capital  
NOPAT = Net operating profit after taxes = After-tax cash operating income, after depreciation

**Basic Financial Statement Analysis**

Common size statement = line items on income statement and statement of cash flows presented as a percent of sales; line items on balance sheet presented as a percent of total assets  
Common base year statements = (new line item amount / base year line item amount) x 100  
Annual growth rate of line items = (new line item amount / old line item amount) – 1

**Pricing**

Elasticity is calculated using the midpoint formula.  
For price elasticity of demand  
\[ E = \frac{\text{change in quantity} / \text{(average of quantities)}}{\text{change in price} / \text{(average of prices)}} \]

**Financial Ratios**

Unless otherwise indicated, end of year data is used for balance sheet items; full year data is used for income statement and statement of cash flow items.

**Liquidity**

Current ratio = current assets / current liabilities  
Quick ratio or acid test ratio = (cash + marketable securities + accounts receivable) / current liabilities  
Cash ratio = (cash + marketable securities) / current liabilities  
Cash flow ratio = operating cash flow / current liabilities  
Net working capital = current assets – current liabilities  
Net working capital ratio = net working capital / total assets
Leverage

Degree of financial leverage = % change in net income / % change in EBIT, or
= EBIT / EBT
Degree of operating leverage = % change in EBIT / % change in sales, or
= contribution margin / EBIT

Financial leverage ratio = assets / equity

Debt to equity ratio = total debt / equity
Long-term debt to equity ratio = (total debt – current liabilities) / equity
Debt to total assets ratio = total debt / total assets

Fixed charge coverage = earnings before fixed charges and taxes / fixed charges
fixed charges include interest, required principal repayment, and leases
Interest coverage (times interest earned) = EBIT / interest expense
Cash flow to fixed charges = (cash from operations + fixed charges + tax payments) / fixed charges.
Note: cash from operations is after-tax.

Activity

Accounts receivable turnover = credit sales / average gross accounts receivables
Inventory turnover = cost of goods sold / average inventory
Accounts payable turnover = credit purchases / average accounts payable

Days sales in receivables = average accounts receivable / (credit sales / 365), or
= 365 / accounts receivable turnover
Days sales in inventory = average inventory / (cost of sales / 365), or
= 365 / inventory turnover
Days purchases in payables = average payables / (purchase / 365), or
= 365 / payables turnover

Operating cycle = days sales in receivables + days sales in inventory
Cash cycle = Operating cycle – days purchases in payables

Total asset turnover = sales / average total assets
Fixed asset turnover = sales / average net plant, property and equipment

Cost/volume/profit analysis

Breakeven point in units = fixed costs / unit contribution margin
Breakeven point in dollars = fixed costs / (unit contribution margin / selling price)

Margin of safety = planned sales – breakeven sales
Margin of safety ratio = margin of safety / planned sales
Profitability

Gross profit margin percentage = gross profit / sales
Operating profit margin percentage = operating income / sales
Net profit margin percentage = net income / sales
EBITDA margin = EBITDA / sales

Financial Performance Analysis

ROA = net income / average total assets
ROE = net income / average equity

DuPont model
ROA = net profit margin x total asset turnover
   = (net income / sales) x (sales / average total assets)
   = net income / average total assets

ROE = ROA x equity multiplier
   = (net income / average total assets) x (average total assets / average common equity)
   = net income / average equity

Extended DuPont model
ROE = net profit margin x total asset turnover x equity multiplier
   = (net income/sales) x (sales/average total assets) x (average total assets/average common equity)

ROI = income of business unit / assets of business unit
    = return on sales x asset turnover
    = (profit/sales) x (sales/assets)

RI = income of business unit – (assets of business unit x required rate of return)
Note: “Income” means operating income unless otherwise noted

EVA® = NOPAT – [WACC x (total assets – current liabilities)]
   = NOPAT – [WACC x average invested capital]
   where
   NOPAT = revenue – cash operating costs – depreciation – cash taxes on operating income
   NOPAT = EBIT x (1 – tax rate)
Market

Market-to-book ratio = current stock price / book value per share
Price earnings ratio = market price per share / EPS
Price to EBITDA ratio = market price per share / EBITDA per share

Book value per share = (total stockholders’ equity – preferred equity) / number of common shares outstanding

Basic EPS = (net income – preferred dividends) / weighted average common shares outstanding
(Number of shares outstanding is weighted by the number of months shares are outstanding)
Diluted EPS = (net income – preferred dividends) / diluted weighted average common shares outstanding
(Diluted EPS adjusts common shares by adding shares that may be issued for convertible securities and options)

Earnings yield = EPS / current market price per common share
Dividend yield = annual dividends per share / market price per share
Dividend payout ratio = common dividend / earnings available to common shareholders

Shareholder return = (ending stock price – beginning stock price + annual dividends per share) / beginning stock price

Sustainable growth rate = (1 - dividend payout ratio) x ROE