

The CMA Exam Essays: Everything You Need to Know!

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Accountants and
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in Business

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Featured Presenter

Mitra Kleinberg

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Mitra Kleinberg's Biography

- Mitra is a Manager of Strategic Corporate Partnerships at IMA and she works with companies to create awareness of the benefits of membership in a professional association, as well as earning the Certified Management Accountant (CMA) credential.
- She is a part of the larger global business development efforts of IMA, accelerating the growth of the CMA credential around the world.

Featured Presenter

Sue Mullen, CMA, CSCA, CPA

**Professional Instructor
Ashland University**



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Sue Mullen's Biography

- Sue Mullen is a Professional Instructor at Ashland University. She teaches various levels of accounting that include Financial Accounting, Intermediate, Advanced, Advanced Cost Management as well as CMA Review classes.
- Sue has worked in both public accounting and industry. She earned a Bachelor of Arts from Baldwin-Wallace College and an MBA from Ashland University. Sue is a CPA in the state of Ohio and a member of the AICPA as well as the Ohio Society of CPAs. She is also a CMA and a member of the Institute of Management Accountants.

Insights from a Recent CMA

Katherine Crumb, CMA

Sr. Finance Manager

Takeda Oncology



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Katherine Crumb's Biography

- Katherine Crumb has over 20 years experience in Managerial Accounting include budgeting, controlling, and forecasting with major consumer goods and pharmaceutical companies such as Bristol Myers Squibb, Pfizer, Unilever, and Hologic.
- She is currently a senior finance manager at Takeda Oncology. Katherine earned a BS in Accounting from the University of Hartford and an MBA from University of Connecticut.

Learning Objectives

1. Understand the CMA exam format.
2. Explain how the essay responses are graded.
3. Recognize how to maximize your point-earning potential on the CMA exam essay questions.
4. Know how to manage your time on the essay portion of the exam.

Agenda

- CMA exam structure
- Tips for answering essay questions
- Sample essay questions and responses
- Steps to becoming a CMA
- Questions and discussion

CMA Exam Structure









CMA Exam Structure

Part 1: Financial Planning, Performance, and Analytics

-  External financial reporting decisions
-  Planning, budgeting, and forecasting
-  Performance management
-  Cost management
-  Internal controls
-  Technology and Analytics

Part 2: Strategic Financial Management

-  Financial statement analysis
-  Corporate finance
-  Decision analysis
-  Risk management
-  Investment decisions
-  Professional ethics

**Each exam part is four hours long:
100 multiple-choice questions, followed by two 30-minute essay problems**

Exam Structure

- Exam Structure
 - 3 hours of multiple-choice questions ~ 75% of score
 - 1 hour of essay questions ~ 25% of score
- You must earn at least 50% on multiple choice section in order to advance to the essay section
- You cannot return to the multiple-choice section once you've advanced to the essay section of the exam

Online CMA Exam Practice Quiz

- **New interactive sample practice quiz is now available on the CMA overview page**
- **Access to 10 real CMA exam questions**
- **Provides insights into CMA exam content and format**



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CMA® Practice Quiz

Here are ten randomly selected questions from our retired bank of CMA Practice Questions. Practice answering them to test your skills and expertise!

Question: 1 of 10

Difficulty: Medium

An example of an item that would fall under the customer perspective on the balanced scorecard of an airline is

- a. customer complaints will decrease by 10%.
- b. customers will have to wait no longer than 15 minutes to check their bags.
- c. 90% of the flights will arrive on time.
- d. three new in-flight meals will replace existing offerings that are unpopular with customers.

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www.imanet.org/cma-certification

Tips and Sample Essay Questions



Exam Strategy

To pass the exam, you need:

- Knowledge
- Confidence
- Effective Time Management
- Commitment!



Exam Strategy: Essay Questions

- Don't be afraid of the essay section of the exam!
- This section provides a great opportunity to earn partial credit
 - Be sure to show your work and assumptions
- Expect 4-7 questions for each essay scenario
- You can scroll between questions and scenarios within the essay section of the exam
 - Helps to determine how much time you will need for responses

Exam Strategy: Essay Questions

- Pay close attention to verbs
 - For example, if it says compare or contrast, don't define something
- Read the entire question to understand all requirements
- Grammar and writing skills: Quality of responses
 - Focus is on completeness and accuracy of applying and understanding concepts

Exam Strategy: Essay Questions

- Be thorough in your response
 - It's ok to use bullet points
- Do not leave a questions blank
 - If short on time, at least write an outline of your main points
- Graders are looking to give you points, not take them away
 - Make it as easy as possible for graders to give you points!

Exam Strategy: Essay Questions

Type your responses into a text box

- Similar to MS Word, but with simpler functionality

Be sure to use all of the time available to you!



Essay: Sample Screen Shot

The screenshot displays an online exam interface. On the left, a text block describes the situation for Han Electronics Inc. On the right, the question prompt is circled in red, and a large text box for the response is also circled in red. A red arrow points from the text box to the response area. The interface includes a top navigation bar with a page indicator (Page: 1 of 1), a question/section indicator (Question: 3, Section: 2), a timer (Total Test Time Remaining: 03:58:42), and a 'Finish Test' button. A candidate name 'Candidate: VIERS Amanda' is visible in the top right. The bottom of the interface has navigation buttons for 'Back' and 'Next'.

Han Electronics Inc. is an electronics retailer with a fitness equipment retailer subsidiary. Han is a mature company with declining sales while the subsidiary is growing and profitable. The management of Han is considering several strategic options for the company as a whole. They considered purchasing additional companies to continue to diversify their product mix, or split out some or all of the subsidiary into a separate company so that each company could go in a different direction. Ultimately, the concern is that Han is failing. Management wants to maximize shareholder value, turn the company around, and continue as a going concern.

1 Identify three possible synergies or benefits of mergers and acquisitions.

2 Click Here To View Essay Scenario

3 Time Value Tables

4 Calculator

5

→ Type your response here

Page: 1 of 1 Question: 3 Section: 2 Total Test Time Remaining 03:58:42 Progress 0% Finish Test Candidate: VIERS Amanda

Back Next

Here is the situation that
you are analyzing

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Sample Essay Scenario #1

Alex Raminov is a management accountant at Carroll Mining and Manufacturing Company (CMMC), a large processor of ores and minerals. While working late one night to complete the footnotes for the financial statements, Raminov was looking for a file in his supervisor's office and noticed a report regarding procedures for disposing of plant wastes. According to handwritten notes on the face of the report, CMMC had been using a residential landfill in a nearby township to dump toxic coal cleaning fluid wastes over a considerable period of time. The report stated that locating a new dump site was urgent because the current one was nearing capacity.

Raminov realized that it was possible CMMC had been improperly disposing of highly toxic fluids in a landfill that was restricted to residential refuse. Besides the obvious hazards to residents of the area, there could be legal problems if and when the authorities were notified. The financial consequences of clean-up actions, as well as the loss of CMMC's generally good environmental reputation, could be catastrophic for the company.

Raminov asked his supervisor how this item was to be included in the footnotes and inquired whether an accrual for clean-up costs was anticipated. His supervisor told him to "forget about this matter" and that he had no intention of mentioning one word about waste disposal in this year's financial statements.

Sample Essay #1 Questions

1. Using the categories outlined in IMA's Standards of Ethical Professional Practice, identify the standards that are specifically relevant to Alex Raminov's ethical conflict and explain why the standards are applicable to the situation.
2. According to the IMA's Standards of Ethical Professional Practice, what further steps, if any, should Raminov take in resolving his ethical dilemma?
3. If he continues to be rebuffed by his employer, should Raminov notify the appropriate authorities? Should he anonymously release the information to the local newspaper? Explain your answers.

Sample Essay #1 Response Q1

Question 1:

Using the categories outlined in IMA's Standards of Ethical Professional Practice, identify the standards that are specifically relevant to Alex Raminov's ethical conflict and explain why the standards are applicable to the situation.

Sample Response:

The standards from IMA's Statement of Ethical Professional Practice that specifically relate to Alex Raminov and the situation at Carroll Mining and Manufacturing are the following.

Competence

Perform professional duties in accordance with relevant laws, regulations, and technical standards. It appears that CMMC is not in compliance with the relevant laws and regulations regarding the dumping of toxic materials; at a minimum, Raminov has an obligation to report this situation to higher authorities in the company.

Confidentiality

Keep information confidential except when disclosure is authorized or legally required. This standard may or may not relate to the CMMC situation depending on the requirements of the environmental regulations in effect in the jurisdiction where CMMC is operating. Raminov may be required by law to disclose the information.

Sample Essay #1 Response Q1 cont.

Sample Response Continued:

Integrity

Refrain from engaging in any conduct that would prejudice carrying out duties ethically.

Abstain from engaging in or supporting any activity that might discredit the profession.

If Raminov does not report the apparent illegal dumping to those in authority at CMMC, his behavior would not be considered ethical under these standards and his lack of action would discredit the profession.

Credibility

- Communicate information fairly and objectively.
- Provide all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.
- Report any delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.
- All of these standards make it clear that Raminov has an obligation to act objectively in this matter and report the situation to those in authority at CMMC.

Sample Essay #1 Response Q2

Question 2:

According to the IMA's Standards of Ethical Professional Practice, what further steps, if any, should Raminov take in resolving his ethical dilemma?

Sample Response:

Initially, Raminov should follow CMMC's policy regarding the resolution of an ethical conflict. If there is no policy or the policy does not resolve the issue, he should consider the courses of action recommended in IMA's Statement of Ethical Professional Practice.

Since Raminov's immediate supervisor appears to be involved in the dumping situation, he should submit the issue to the next higher level. If the situation is not satisfactorily resolved, Raminov should approach successive levels of authority, e.g., CFO, audit committee, Board of Directors. He can also contact an IMA ethics counselor or other impartial advisor to discuss possible courses of action. Raminov should consult an attorney regarding his legal obligations and rights in this ethical conflict.

Sample Essay #1 Response Q3

Question 3:

If he continues to be rebuffed by his employer, should Raminov notify the appropriate authorities? Should he anonymously release the information to the local newspaper? Explain your answers.

Sample Response:

It is not considered appropriate for Raminov to inform authorities or individuals not employed or engaged by CMMC unless he believes there is a clear violation of the law. In discussions with his attorney, Raminov should clarify his obligations under the law. If CMMC does not take action after Raminov has informed the appropriate in-house authorities, he may be obligated to inform the regulatory agency involved. He should not under any circumstances anonymously release this information to the local newspaper.

Sample Essay Scenario #2

The City of Blakston owns and operates a community swimming pool. The pool is open each year for 90 days during the summer months of June, July, and August. A daily admission is charged to patrons of the pool. By law, 10% of all recreational and sporting fees must be remitted to a state tourism promotion fund. The City Manager has set a goal that pool admission revenue, after subtracting the state fee and variable costs, must be sufficient to cover the fixed costs. Variable costs are assumed to be 15% of gross revenue. Fixed costs for the three-month period total \$33,000. The following budget for the pool has been prepared for the current year.

| | |
|---|--------------------------|
| Adult admissions: | |
| 30 adults per day x \$5.00/adult x 90 days | \$13,500 |
| Student admissions: 1 | |
| 120 students per day x \$2.50/student x 90 days | 27,000 |
| Total revenue | 40,500 |
| State tourism fee (10%) | -4,050 |
| Net revenue | 36,450 |
| Variable costs | -6,075 |
| Fixed costs | <u>33,000</u> |
| Expected deficit | <u>\$ (2,625)</u> |

The City Manager is trying to determine what admission mix is necessary to break even and what actions could be taken to eliminate the expected deficit.

Sample Essay #2 Questions

1. Given the anticipated mix of adult and student admissions, how many total admissions must the pool have in order to break even for the season?
2. Regardless of the admissions mix, what is the highest number of admissions that would be necessary to break even for the season?
3. Regardless of the admissions mix, what is the lowest number of admissions that would be necessary to break even for the season?
4. The City Manager is considering several pricing strategies that could increase the admissions fees at the swimming pool. One of the pricing strategies being considered is Product-Mix Pricing. Define Product-Mix Pricing and discuss how this approach could help to eliminate the expected deficit.

Sample Essay #2 Response Q1

Question 1:

Given the anticipated mix of adult and student admissions, how many total admissions must the pool have in order to break even for the season?

Sample Response:

The contribution margin is 75%¹ or \$3.75 per adult admission, and \$1.875 per student admission. The mix is 20% adult (30 ÷ 150) and 80% student (120 ÷ 150). The weighted average contribution margin is:

$$\text{WACM} = .20(\$3.75) + .80 (\$1.875) = \$2.25$$

The breakeven point is Fixed cost ÷ WACM

$$\$33,000 \div \$2.25 = 14,667 \text{ per season.}$$

¹ 100% - state fee of 10% - variable cost of 15%

Sample Essay #2 Response Q2

Question 2:

Regardless of the admissions mix, what is the highest number of admissions that would be necessary to break even for the season?

Sample Response:

The highest number to break even assumes that all admissions are students:

$$\$33,000 \div \$1.875 = 17,600 \text{ per season}$$

Sample Essay #2 Response Q3

Question 3:

Regardless of the admissions mix, what is the lowest number of admissions that would be necessary to break even for the season?

Sample Response:

The lowest number to break even assumes that all admissions are at the adult rate:

$$\$33,000 \div \$3.75 = 8,800 \text{ per season}$$

Sample Essay #2 Response Q4

Question 4:

The City Manager is considering several pricing strategies that could increase the admissions fees at the swimming pool. One of the pricing strategies being considered is Product-Mix Pricing. Define Product-Mix Pricing and discuss how this approach could help to eliminate the expected deficit.

Sample Response:

Under **product-mix pricing**, the price is set low for some products or segments in the hope that it will attract others. If it is found that adults are usually accompanied by students, attempts could be made to find the mix of adult/student prices that brings in the most patrons.

Exam Grading

REMEMBER...

- Be thorough in your response
- Do not leave any questions blank
- Graders are looking to give you points, not take them away. They want to give you partial credit, if possible.

Steps to Becoming a CMA



Program Requirements



Completion of two exams



Bachelor's degree from an accredited college or university (in any major)



Two years of relevant work experience



Active membership in IMA

Exam Testing



Exam is computerized and administered by Prometric Testing, select from:

Onsite exam at Prometric center

Remote (at-home) testing option



Three exam testing windows offered each year:

- January and February
- May and June
- September and October



Candidates schedule exams at their own pace:

- Part 1 and Part 2 can be taken in any order
- On average, candidates complete the program within 12-18 months

How to Get Started

- 1) Hold Membership in IMA
 - \$260 per year + \$15 one-time fee
- 2) Pay the CMA Exam Entrance Fee
 - \$280 one-time fee
- 3) Register to sit for an exam part
 - \$460 per part





CMA Handbook

Your Guide to Information and
Requirements for CMA Certification



IMA's Certification for
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in Business

CMA Handbook

- An important resource for CMA candidates is the CMA Handbook
- Find this on the IMA website:
www.imanet.org → CMA Certification
→ Getting Started

Best of luck
to you
on the
CMA Exam!



Questions & Answers



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Thank You to Our Presenters!



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