



Inside
Talk

The CMA Exam Essays: Everything You Need to Know!

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Learning Objectives

Upon completing this webinar, you will be able to:

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

- Why become a CMA?
- CMA exam structure
- Tips for answering essay questions
- Sample essay questions and responses
- Questions and discussion



Why Should You Become a CMA?

- The CMA is a relevant and rigorous professional certification exam
- Confirms that an individual has a mastery of the critical skills and knowledge in planning, analysis, control and decision support
- Salary studies continue to show that CMA-certified individuals earn more than their non-certified peers



Polling Question 1

Do you plan to sit for the CMA exam within the next twelve months?

- a) Yes
- b) No



Polling Question 1 Results (Placeholder)



CMA Exam Structure

Part 1 – Financial Reporting, Planning, Performance and Control

4 hours, 100 multiple-choice questions and two 30-minute essay scenarios

- External financial reporting decisions (15%)
- Planning, budgeting, and forecasting (30%)
- Performance measurement (20%)
- Cost management (20%)
- Internal controls (15%)

Part 2 – Financial Decision Making

4 hours, 100 multiple-choice questions and two 30-minute essay scenarios

- Financial statement analysis (25%)
- Corporate finance (20%)
- Decision analysis (20%)
- Risk management (10%)
- Investment decisions (15%)
- Professional ethics (10%)



Exam Structure & Feedback

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



Polling Question 2

Do you feel more anxious about the essay portion of the exam as compared to the multiple choice portion of the exam?

- a) Yes, I am more anxious about the essay portion of the exam.
- b) No, I am more anxious about the multiple choice portion of the exam.
- c) Both the essay and multiple choice parts make me equally anxious.



Polling Question 2 Results (Placeholder)



Exam Testing

- Exams administered at Prometric Testing Centers (www.prometric.com)
 - Schedule your exam date and time online, after receiving your exam authorization number from IMA
- Three exam testing windows offered each year
 - January and February
 - May and June
 - September and October



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 3-6 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
 - You may have more than one requirement, for example: "Define abc and interpret its applicability to xyz."
- Grammar and writing skills
 - Focus is on use of standard English, organization and clarity
 - Graders are looking for effective writing skills

Exam Strategy: Essay Questions

- Be brief and to the point
 - 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!



Polling Question 3

How are you preparing for the CMA exam?

- a) Self-study
- b) Group study
- c) Taking a CMA exam preparation course



Polling Question 3 Results (Placeholder)



Exam Strategy: Essay Questions

- Type your responses into a text box
 - Similar to MS Word, but with more simple functionality

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



Essay: Sample Screen Shot

Question 4 of 9

Test Taker
Part 2 Financial Decision Making

Time Remaining: 03:58:24



Technology Inc. makes high-tech components for the automotive industry. They just finished their fiscal year and have paid out a total of \$18,000 in common dividends. The company has an effective income tax rate of 40%. The following selected financial information is from their income statement and balance sheets from the last two years.

- Explain the possible effect that debt has on ROE if Technology Inc. is performing well.
- Identify and explain one advantage and one disadvantage to shareholders of using debt in a firm's capital structure.

	<u>Current Year</u>	
Net sales	\$800,000	
Cost of goods sold	240,000	
Operating expenses	110,000	
Interest expense	20,000	
Earnings before taxes	430,000	

	<u>Current Year</u>	<u>Prior Year</u>
Total assets	\$3,500,000	\$2,900,000
Total liabilities	1,900,000	1,540,000
Common stock	600,000	600,000
Retained earnings	1,000,000	760,000
Total shareholder equity	1,600,000	\$1,360,000



Cut Copy Paste Save

Type your responses here

Calculator

Time Value Tables

PREVIOUS

NEXT

MARK

REVIEW



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.

Disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.

Disclose 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 Grading Guide

	CMMC Question			
	Item Description	Maximum Points	% correct	Score
	Question #1	4		
	Competence	1		0
	Confidentiality	1		0
	Integrity	1		0
	Credibility	1		0
	Subtotal			0.00
	Question #2	2		
	Follow company policy	1/2		0
	If no company policy, follow IMA Statement on Ethics	1/2		0
	Explain steps to take if issue needs to be escalated	1		0
	Subtotal			0.00
	Question #3	2		
	Notify authorities only if laws are violated	1		0
	If no action taken, notify regulatory agency	1/2		0
	Should not send anonymous communication to media	1/2		0
	Subtotal			0.00

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

20 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 33,000

Expected deficit **\$ (2,625)**

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. Define each of the pricing strategies listed below and discuss how each could help to eliminate the expected deficit.
 - a) Product-mix pricing.
 - b) Volume discount pricing.
 - c) Penetration pricing.
 - d) Off-peak pricing.



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 Q4a

Question 4:

The City Manager is considering several pricing strategies that could increase the admissions fees at the swimming pool. Define each of the pricing strategies listed below and discuss how each could help to eliminate the expected deficit.

- a) Product-mix pricing
- b) Volume discount pricing
- c) Penetration pricing
- d) Off-peak pricing

Sample Response:

4 a) 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.



Sample Essay #2 Response Q4b, c & d

Sample Response:

- 4b) Volume discount pricing** could be used by allowing for discounts based on an individual patron's usage (e.g., season pass) or allowing for group discounts (e.g., clubs, church groups).
- 4c) Penetration pricing** is the setting of a competitive price, in the hopes of beating the competition. Price could be set competitive (or lower) than other pools in the region, in an attempt to maximize contribution margin.
- 4d) Off-peak pricing** is used to encourage purchases during slower periods. A discounted pricing could be set on days when volume is expected to be low (e.g., cloudy days) or during slower times of the day (e.g., evening admission).



Sample Grading Guide (Q1 & Q2 Only)

City Pool Question				
Item Description	Maximum Points	% correct	Score	
Question 1	8			
CM% = 1-10%-15% (75%)	1		0	
Adult = 75% x \$5 (\$3.75)	1		0	
Student = 75% x \$2.50 (\$1.875)	1		0	
Mix = 30/150 adult (20%) / 120/150 students (80%)	1		0	
WACM = 20% x \$3.75 + 80% x \$1.875 (\$2.25)	1		0	
Break-even point = fixed costs \$33,000 divided by CM (\$2.25) (14,667)	1		0	
14,667	1		0	
			0	
Subtotal			0.00	
Question 2	2			
Uses students	1/2		0	
\$33,000/\$1.875 (17,600)	1		0	
=17,600	1/2		0	
TOTAL FOR ALL QUESTIONS:	10		0.00	



**Best of luck
to you
on the
CMA Exam!**



Polling Question 4

Are there other employees at your company who would benefit from learning more about the CMA or by pursuing the CMA designation?

- a) Yes
- b) No
- c) I don't know



Polling Question 4 Results (Placeholder)



Questions & Answers

Use the Q & A Panel to send your questions to our panelists.



Sue Mullen, CMA, CPA
Professional Instructor
Ashland University



Lisa Beaudoin, CMA, CAE
Director of
Educational Partnerships
IMA



Rob Golder
Senior Manager,
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Thank You to Our Presenters!



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