

THE CPA LICENSURE EXAMINATION SYLLABUS MANAGEMENT ADVISORY SERVICES

Effective May 2016 Examination

The subject covers the candidates' knowledge of the concepts, techniques and methodology applicable to management accounting, financial management and management consultancy. Candidates should know and understand the role of information in accounting, finance and economics in management consultancy and in management processes of planning, controlling and decision-making.

The candidates must have a working knowledge to comply with the various management accounting and consultancy engagements.

The candidates must also be able to communicate effectively matters pertaining to the management accounting and consultancy work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

1.0 Management Accounting

1.1 Objectives, role and scope of management accounting

- 1.1.1 Basic management functions and concepts
- 1.1.2 Distinction among management accounting, cost accounting and financial accounting
- 1.1.3 Role and activities of controller and treasurer
- 1.1.4 International certifications in management accounting

1.2 Management Accounting Concepts & Techniques for Planning & Control

- 1.2.1 Cost terms, concepts and behavior
 - 1.2.1.1 Nature and classification of costs
 - 1.2.1.2 Analysis of cost behavior (variable, fixed, semi-variable/mixed, step-cost)
 - 1.2.1.3 Splitting mixed cost (high-low, scatter graph, least-squares regressions)
- 1.2.2 Cost-volume-profit (CVP) analysis
 - 1.2.2.1 Uses, assumptions and limitations of CVP analysis
 - 1.2.2.2 Factors affecting profit
 - 1.2.2.3 Breakeven point in unit sales and peso sales
 - 1.2.2.4 Required selling price, unit sales and peso sales to achieve a target profit
 - 1.2.2.5 Sensitivity analysis (including indifference point in unit sales and peso sales)
 - 1.2.2.6 Use of sales mix in multi-product companies
 - 1.2.2.7 Concepts of margin of safety and degree of operating leverage
- 1.2.3 Standard costing and variance analysis
 - 1.2.3.1 Direct material variance (quantity, price usage, purchase price, mix and yield)
 - 1.2.3.2 Direct labor variance (efficiency, rate, mix and yield)
 - 1.2.3.2 Factory overhead variance – two-way method (controllable and volume); three-way method (spending, variable efficiency and volume); four-way method (variable spending, fixed spending, variable efficiency and volume)
- 1.2.4 Variable costing and absorption costing
 - 1.2.4.1 Nature and treatment of fixed factory overhead costs
 - 1.2.4.2 Distinction between product cost and period cost
 - 1.2.4.3 Inventory costs between variable costing and absorption costing
 - 1.2.4.4 Reconciliation of operating income under variable costing and absorption costing
- 1.2.5 Financial planning and budgets
 - 1.2.5.1 Definition and coverage of the budgeting process
 - 1.2.5.2 Master budget and its components (operating and financial budgets)
 - 1.2.5.3 Types of budgets (static, flexible, zero-based, continuous)
 - 1.2.5.4 Budget variance analysis (static and flexible)
- 1.2.6 Activity-based costing (ABC) and activity-based management (ABM)

- 1.2.6.1 Activity levels (unit-level, batch-level, product-level and facility-level), cost pools and activity drivers
- 1.2.6.2 Determination of cost pool rates and application of overhead costs
- 1.2.6.3. Traditional costing vs. activity-based costing
- 1.2.6.4. Process value analysis (value-added activities and non-value-added activities)
- 1.2.7 Strategic cost management
 - 1.2.7.1 Total quality management
 - 1.2.7.2 Just-in-time production system
 - 1.2.7.3 Continuous improvement
 - 1.2.7.4 Business Process Reengineering
 - 1.2.7.5 Kaizen costing
 - 1.2.7.6 Product life cycle costing
 - 1.2.7.7 Target costing

1.3 Management Accounting Concepts & Techniques for Performance Measurement

- 1.3.1 Responsibility accounting and transfer pricing
 - 1.3.1.1 Type of responsibility centers (cost, revenue, profit and investment centers)
 - 1.3.1.2 Concepts of decentralization and segment reporting
 - 1.3.1.3 Controllable and non-controllable costs, direct and common costs
 - 1.3.1.4 Performance margin (manager vs. segment performance)
 - 1.3.1.5 Preparation of 'segmented' income statement
 - 1.3.1.6 Return on investment (RoI), residual income and economic value added (EVA)
 - 1.3.1.7 Rational and need for transfer price
 - 1.3.1.8 Transfer pricing schemes (minimum transfer price, market-based transfer price, cost-based transfer price and negotiated price)
- 1.3.2 Balanced scorecard
 - 1.3.2.1 Nature and perspectives of balanced scorecard
 - 1.3.2.2 Financial and non-financial performance measures

1.4 Management Accounting Concepts & Techniques for Decision Making

- 1.4.1 Quantitative techniques
 - 1.4.1.1 Regression and correlation analysis
 - 1.4.1.2 Gantt chart
 - 1.4.1.3 Program evaluation review technique (PERT) – Critical Path Method (CPM)
 - 1.4.1.4 Probability analysis (expected value concept)
 - 1.4.1.5 Decision tree diagram
 - 1.4.1.6 Learning curve
 - 1.4.1.7 Inventory models (carrying and ordering costs, EOQ model, safety stock, reorder point)
 - 1.4.1.8 Linear programming (graphic method; algebraic method)
- 1.4.2 Relevant costing and differential analysis
 - 1.4.2.1 Definition and identification of relevant costs
 - 1.4.2.2 Concept of opportunity costs
 - 1.4.2.3 Approaches in analyzing alternatives in non-routing decisions (total and differential)
 - 1.4.2.4 Types of decisions (make or buy, accept or reject special order, continue or drop/shutdown, sell or process further, best product combination, pricing decisions)

2.0 Financial Management

2.1 Objectives and Scope of Financial Management

- 2.1.1 Nature, purpose and scope of financial management
- 2.1.2 Role of financial managers in investment, operating and financing decisions

2.2 Financial Management Concepts & Techniques for Planning, Control & Decision Making

- 2.2.1 Financial statement analysis
 - 2.2.1.1 Vertical analysis (common-size financial statements)
 - 2.2.1.2 Horizontal analysis (trend percentages and index analysis)
 - 2.2.1.3 Cash flow analysis (interpretation of cash flows including free cash flow concept)
 - 2.2.1.4 Gross profit variance analysis (price, cost and volume factors)
 - 2.2.1.5 Financial ratios (liquidity, solvency, activity, profitability, growth and other ratios; Du Pont model)
 - 2.2.1.6 Financial forecasting using additional funds needed (AFN)
- 2.2.2 Working capital finance
 - 2.2.2.1 Concepts and significance of working capital management
 - 2.2.2.2 Working capital investment and financing policies (conservative vs. aggressive)

- 2.2.2.3 Cash and marketable securities management (cash conversion cycle, optimal cash balance, collection and disbursement float, cash management system)
- 2.2.2.4 Receivables management (average balance of and investment in accounts receivable, incremental analysis and evaluation of discount, collection and credit policies)
- 2.2.2.5 Inventory management (carrying, ordering and stock-out costs, inventory control system including EOQ model, safety stock, reorder point)
- 2.2.2.6 Sources of short-term funds (trade credit, bank loans, commercial papers, receivable factoring)
- 2.2.2.7 Estimating cost of short-term funds (annual cost of trade credit, effective and nominal annual rate of short-term funds)
- 2.2.3 Capital budgeting
 - 2.2.3.1 Capital investment decision factors (net investment for decision making, cost of capital, cash and accrual net returns)
 - 2.2.3.2 Non-discounted capital budgeting techniques (payback period, accounting rate of return on original and average investment, bail-out payback and payback reciprocal)
 - 2.2.3.3 Discounted capital budgeting techniques (net present value, internal rate of return, profitability index, equivalent annual annuity, fisher rate/NPV point of indifference)
 - 2.2.3.4 Project screening, project ranking and capital rationing (independent and mutually exclusive capital investment projects)
 - 2.2.3.5 Sensitivity analysis (effects of changes in project cash flow, tax rates and other assumptions)
- 2.2.4 Risks and rates of returns
 - 2.2.4.1 Types of risks (business/operating, financing)
 - 2.2.4.2 Measures of risks (coefficient of variation and standard deviation)
 - 2.2.4.3 Degree of operating, financial and total leverage
- 2.2.5 Capital structure and long-term financing decision
 - 2.2.5.1 Basic concepts and tools of capital structure management
 - 2.2.5.2 Sources of intermediate and long-term financing (including hybrid financing)
 - 2.2.5.3 Cost of capital (cost of long-term debt, cost of preferred shares, cost of equity, weighted average cost of capital, marginal cost of capital)

3.0 Management Consultancy

3.1 Management Consultancy Practice by Certified Public Accounting (CPAs)

- 3.1.1 Nature of management consultancy engagements
- 3.1.2 Professional attributes of management consultants
- 3.1.3 Areas, stages and management of management consultancy engagements

3.2 Project Feasibility Studies

- 3.2.1 Nature, purpose and components (economic/marketing, technical and financial)
- 3.2.2 Analysis of project revenue and costs under specific assumptions
- 3.2.3 Preparation of projected financial statements
- 3.2.4 Analysis of financial projections

4.0 Economic Concepts essential to obtaining an understanding of entity's business and industry

4.1 Macroeconomics (national economic issues and measures of economic performance such as GDP; unemployment and inflation; fiscal and monetary policies; international trade and foreign exchange rates)

4.2 Microeconomics (concept of and factors affecting supply; concept of and factors affecting demand; market equilibrium; price elasticity of demand; market structure; production and cost functions)