

# Professional Career Pack

ICMAB Professional Qualification Syllabus 2015



**ICMAB**  
THE INSTITUTE OF COST & MANAGEMENT  
ACCOUNTANTS OF BANGLADESH



This professional syllabus addresses the revised needs of corporate management in home and abroad. It caters to make a bridge between the demanded skills and supplied capacity in finance professionals with the very purpose of increasing employability to serve the business and society at large in a befitting manner.

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## THE ICMAB

### PROFESSIONAL QUALIFICATION

The ICMAB Professional Qualification comprises four pillars of domain knowledge divided into three levels of achievement. The pillars are regulatory, enterprise, performance and financial. The levels are operational, management and strategic. Successful completion of all these levels will necessitate the candidates to undergo an extensive internship and research project stretching a minimum period of three months on completion of which they need to submit a report to the satisfaction of their supervisors. They need to present their report before a committee formed for the purpose and defend their works. With this a student will fulfill all the academic requirements for their journey towards prestigious cost and management accountancy qualification. They can use the acronym 'CMA' after their names as recognition of passing all the academic requirements.

However, to be a member of the institute, they need to demonstrate practical experience requirements in the field of accounting, finance and other allied areas of corporate management as set by the institute from time to time which is not less than 3 years to the satisfaction of the council.

**Award: ICMAB Associate Membership**

**Assessment of Practical Experience**

**Internship and Research**

**Strategic Level  
(Level-5)**

**Paper-R3  
Financial, Cost  
and Mgt. Audit**

**Paper-E3  
Enterprise  
Strategy**

**Paper-P3  
Performance  
Strategy**

**Paper-F3  
Financial  
Strategy**

**Management Level  
(Level-4)**

**Paper-R2  
Taxation**

**Paper-E2  
Enterprise  
Management**

**Paper-P2  
Performance  
Management**

**Paper-F2  
Financial  
Management**

**Operational Level  
(Level-3)**

**Paper-R1  
Legal  
Environment  
Of Business**

**Paper-E1  
Enterprise  
Operations**

**Paper-P1  
Performance  
Operations**

**Paper-F1  
Financial  
Operations**

**Regulatory  
Pillar**

**Enterprise  
Pillar**

**Performance  
Pillar**

**Financial  
Pillar**

**Completion of Entry Level(s)**



## ICMAB'S CORE COMPETENCY FRAMEWORK

ICMAB designs its generic competency framework which is being tested continuously in a holistic manner so that the members possess a good balance of skills required by corporate. As ICMAB is committed to provide quality tuition to its student members, it is easy for the institute to make a balance among all the competencies throughout their stay at the institute at varied capacities. All these competencies are important for serving the market even better and these competencies are always kept under review for accommodating any changes which makes ICMAB qualification a target to the potential employers in home and abroad.

As per the competency framework, there are four skills which are mentioned below:

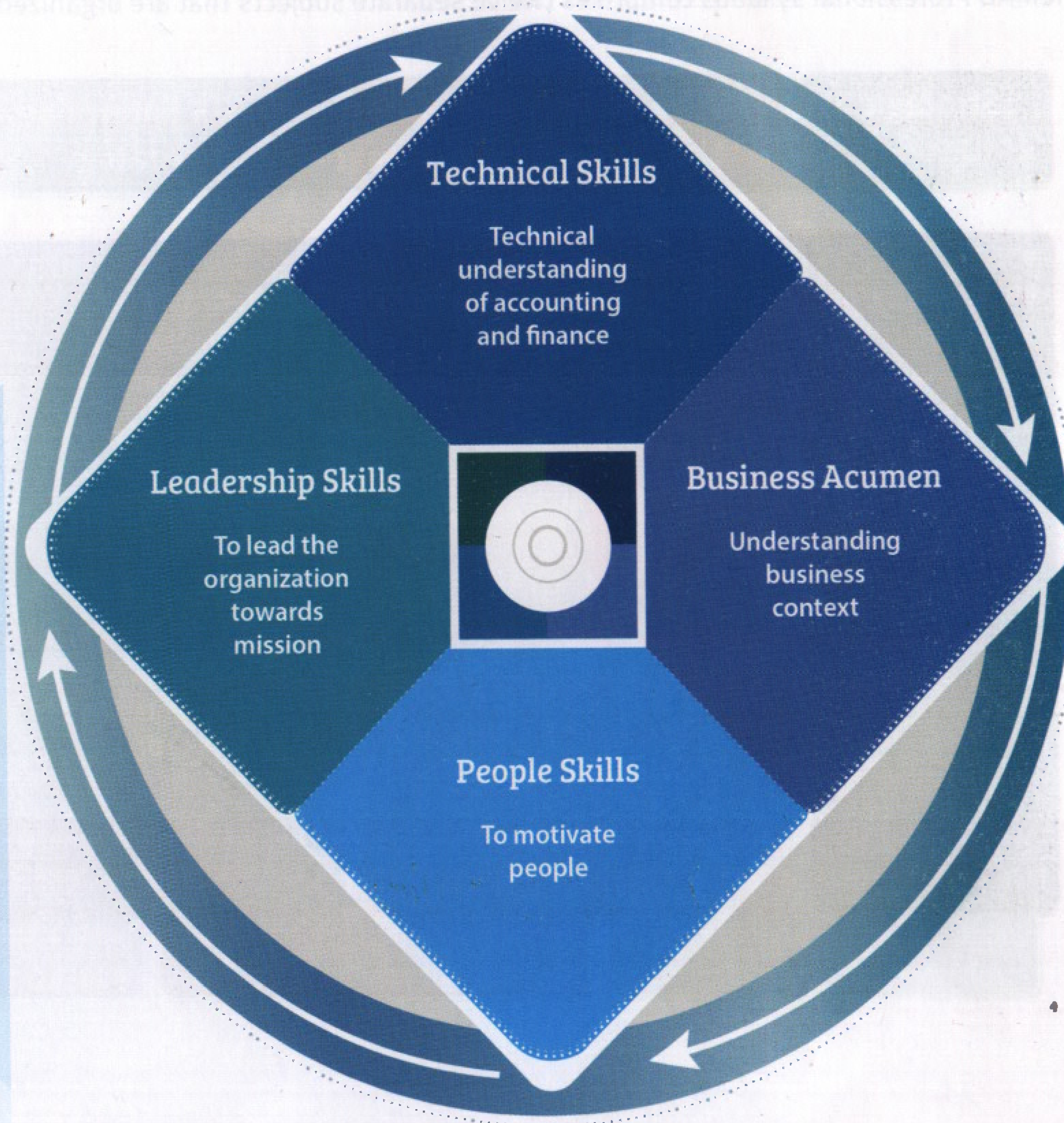
**Technical skills:** These skills are related to technicalities of accounting and finance which are considered important to carry out any job responsibilities within broader accounting and finance area.

**Business Acumen:** These are related to the context of business and very much aligned with overall management. For managing business professionally, it is an important skill that finance professionals should hold.

**People Skills:** Business is nothing but motivating people to achieve the goal congruence. The ICMAB professional curriculum takes care of this requirement.

**Leadership Skill:** All the managers are not the leader. Leaders must have certain traits which make him different. A professional accountant needs to be a visionary leader to encapsulate strategic vision in action.

## Generic Business Competencies

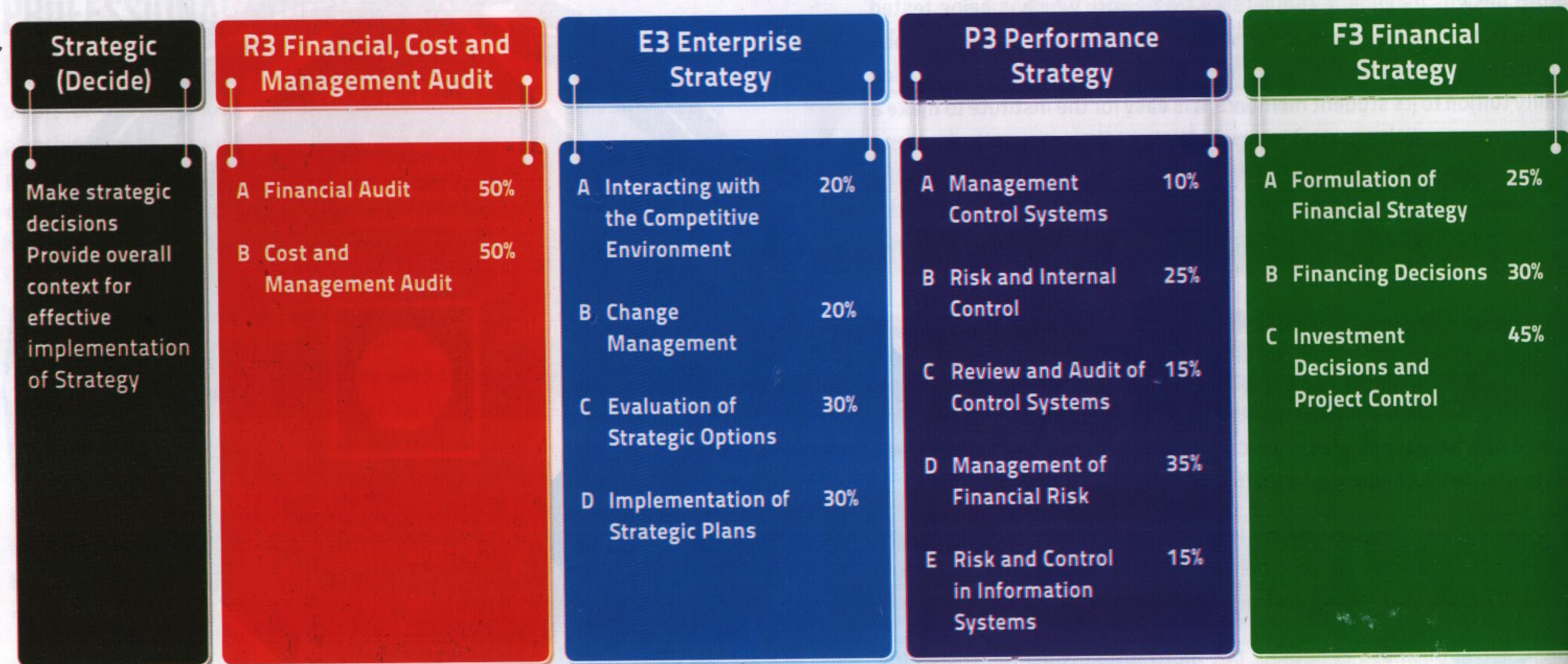


## Ethics, Integrity and Professionalism

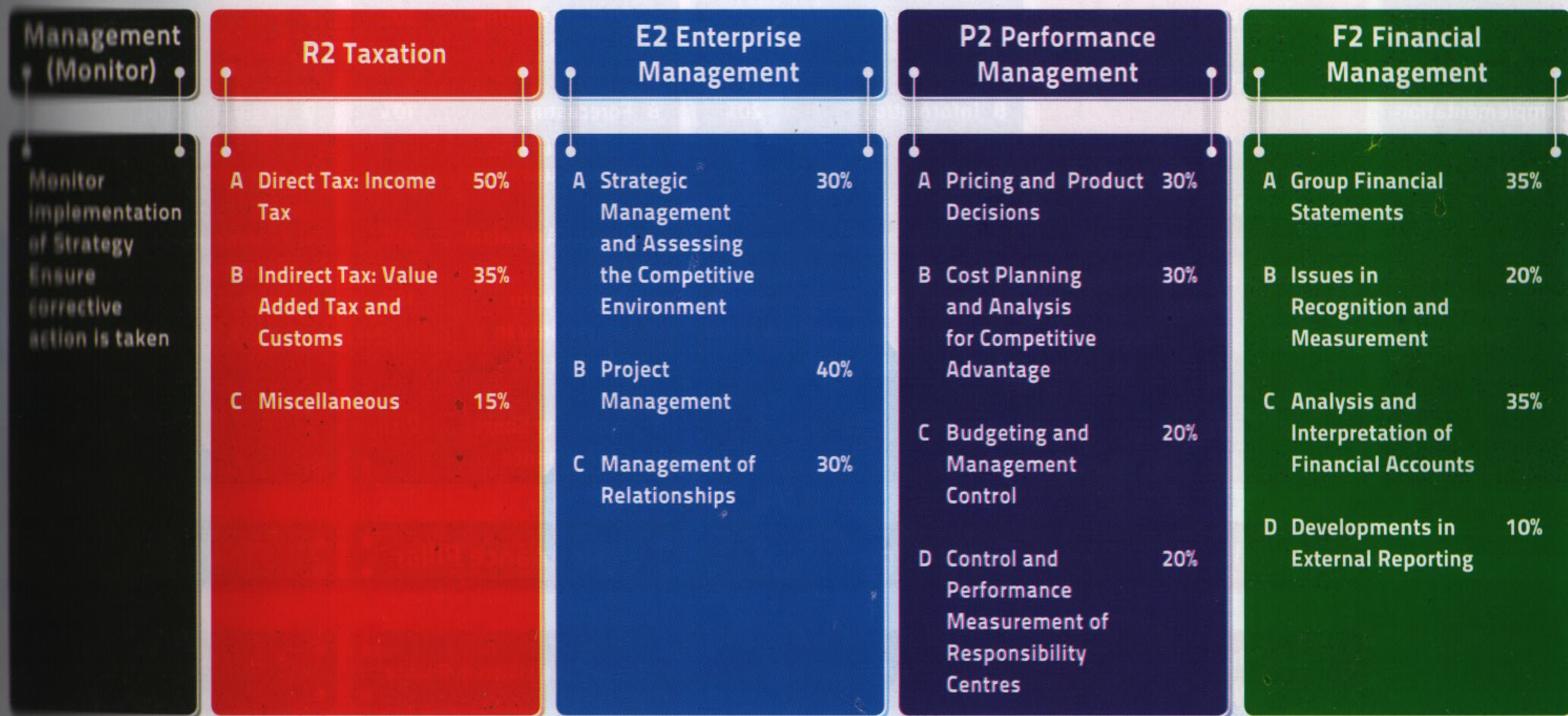


# STRUCTURE OF THE ICMAB COST AND MANAGEMENT ACCOUNTING QUALIFICATION

ICMAB Professional syllabus comprises twelve separate subjects that are organized in four pillars and three levels













## THE LEARNING PILLARS

Subjects within each learning pillar of the qualification are designed to be sequential, from operational to strategic level, encouraging the progressive development of knowledge, techniques and skills.

Within each learning pillar, students are advised to sit and pass the operational level subject examination before sitting the management level subject. However, examinations from different learning pillars, at either operational or management level, may be sat concurrently. Students are recommended to sit no more than four examinations at any single diet, in order to optimize the probability of success.

Students may seek for admission in two consecutive levels simultaneously. However, they cannot have admission in three consecutive levels at any time during their studentship with ICMAB. For example, students cannot seek admission in strategic level until all the papers at operational level has not been completed.

It is advised that students should pass all the levels before attempting the internship and research project. However, they can undergo internship and research project after passing all the papers up to management level at their discretion. This will offer some flexibility to students to plan their academic life with their professional commitments.

## LEAD LEARNING OUTCOMES

Each syllabus topic contains one or more lead learning outcomes, related component learning outcomes and indicative syllabus content.

Each lead learning outcome:

Defines the skill or ability that a well-prepared candidate should be able to exhibit in an examination

Is examinable and demonstrates the approach likely to be taken in examination questions

The lead learning outcomes are part of a hierarchy of learning objectives. The verbs used at the beginning of each learning outcome relate to a specific learning objective e.g.

Evaluate performance using fixed and flexible budget reports.

The verb 'evaluate' indicates a high-level learning objective (Level 5). Because learning objectives are hierarchical, it is expected that at this level, students will have knowledge of fixed and flexible budget techniques, be able to apply them and assess performance using relevant reports. The table lists the learning objectives and the verbs that appear in the syllabus learning outcomes and examination questions.



## Levels

1

## Learning Objectives

**KNOWLEDGE**

What you are expected to know.

**Verbs Used****Definition**

List

Make a list of.

State

Express, fully or clearly, the details /facts of.

Define

Give the exact meaning of.

## Levels

2

## Learning Objectives

**COMPREHENSION**

What you are expected to understand.

**Verbs Used****Definition**

Describe

Communicate the key features of.

Distinguish

Highlight the differences between.

Explain

Make clear or intelligible/state the meaning or purpose of.

Identify

Recognise, establish or select after consideration.

Illustrate

Use an example to describe or explain something.

## Levels

3

## Learning Objectives

**COMPREHENSION**

How you are expected to apply your knowledge.

**Verbs Used****Definition**

Apply

Put to practical use.

Calculate

Ascertain or reckon mathematically.

Demonstrate

Prove with certainty or exhibit by practical means.

Prepare

Make or get ready for use.

Reconcile

Make or prove consistent /compatible.

Solve

Find an answer to.

Tabulate

Arrange in a table.



## Levels



## Learning Objectives

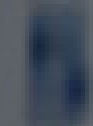
**ANALYSIS**

How you are expected to analyse the detail of what you have learned.

**Verbs Used****Definition**

Analyse	Examine in detail the structure of.
Categorise	Place into a defined class or division.
Compare and contrast	Show the similarities and/or differences between.
Construct	Build up or compile.
Discuss	Examine in detail by argument.
Interpret	Translate into intelligible or familiar terms.
Prioritise	Place in order of priority or sequence for action.
Produce	Create or bring into existence.

## Levels



## Learning Objectives

**EVALUATION**

How you are expected to use your learning to evaluate, make decisions or recommendations.

**Verbs Used****Definition**











Advise	Counsel, inform or notify.
Evaluate	Appraise or assess the value of.
Recommend	Propose a course of action.



## STUDY WEIGHTINGS

Within a syllabus subject, a percentage weighting is shown against each section topic and is intended as a guide to the proportion of study time each topic requires. It is essential that all topics in the syllabus are studied, since any single examination question may examine more than one topic, or carry a higher proportion of marks than the percentage study time suggested. The weightings do not specify the number of marks that will be allocated to topics in the examination.

### Summary of the Pillars

Financial Pillar	Level	Subject	Syllabus Topic			
	Strategic	F3 Financial Strategy	A	Formulation of Financial Strategy	25%	
			B	Financing Decisions	30%	
			C	Investment Decisions and Project Control	45%	
	Management	F2 Financial Management	A	Group Financial Statements	35%	
			B	Issues in Recognition and Measurement	20%	
			C	Analysis and Interpretation of Financial Accounts	35%	
			D	Developments in External Reporting	10%	
	Operational	F1 Financial Operations	A	Principles of Business Taxation	25%	
			B	Regulation and Ethics of Financial Reporting	15%	
			C	Financial Accounting and Reporting	60%	



Performance Pillar	Level	Subject	Syllabus Topic			
	Strategic	P3 Performance Strategy	A	Management Control Systems	10%	
			B	Risk and Internal Control	25%	
			C	Review and Audit of Control Systems	15%	
			D	Management of Financial Risk	35%	
			E	Risk and Control in Information Systems	15%	
	Management	P2 Performance Management	A	Pricing and Product Decisions	30%	
			B	Cost Planning and Analysis for Competitive Advantage	30%	
			C	Budgeting and Management Control	20%	
			D	Control and Performance Measurement of Responsibility Centres	20%	
	Operational	P1 Performance Operations	A	Cost Accounting Systems	30%	
			B	Forecasting and Budgeting Techniques	10%	
			C	Project Appraisal	25%	
			D	Dealing with Uncertainty in Analysis	15%	
			E	Managing Short Term Finance	20%	



Enterprise Pillar	Level	Subject	Syllabus Topic			
	Strategic	E3 Enterprise Strategy	A	Interacting with the Competitive Environment	20%	
			B	Change Management	20%	
			C	Evaluation of Strategic Options	30%	
			D	Implementation of Strategic Plans	30%	
	Management	E2 Enterprise Management	A	Strategic Management and Assessing the Competitive Environment	30%	
			B	Project Management	40%	
			C	Management of Relationships	30%	
	Operational	E1 Enterprise Operations	A	The Global Business Environment	20%	
			B	Information Systems	20%	
			C	Operations Management	20%	
			D	Marketing	20%	
			E	Managing Human Capital	20%	

Regulatory Pillar	Level	Subject	Syllabus Topic			
	Strategic	R3 Financial, Cost and Management Audit	A	Financial Audit	50%	
			B	Cost and Management Audit	50%	
	Management	R2 Taxation	A	Direct Tax: Income Tax	50%	
			B	Indirect Tax: Value Added Tax and Customs	35%	
			C	Miscellaneous	15%	
	Operational	R1 Legal Environment of Business	A	Commercial Laws	40%	
			B	Labor Act	20%	
			C	Partnership Act	10%	
			E	Corporate Laws	30%	





# **Operational Level Papers**

This section sets out the specific syllabus for each of the four papers at the operational level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers within the Business Level qualification, may also be relevant for the purposes of assessment, in related subjects. The syllabus for the Business Level qualification can be viewed from the Entry Career Pack or from the ICMAB website.



# PAPER R1

## LEGAL ENVIRONMENT OF BUSINESS

### Syllabus overview

Business usually runs within a legal framework which is mostly driven by the specific statute where it operates. A clear understanding on different law related issues is very important to corporate executives to run the day to day operations obeying the law. This course is designed with the purpose of orienting the students with different laws as applicable to doing business in Bangladesh. As compliance with different legal provisions are important and non-compliance is sometimes punishable offence, the contents of this course is carefully designed. Compliance becomes one of the important job responsibilities of today's professional accountants. This course will equip the students with required legal requirements.

**Expected Outcomes of the Course Unit** On successful completion of this course unit the students will be able to:

- (i) understand their daily life business procedure according to the existing business law of Bangladesh.
- (ii) know the impact of law on business.
- (iii) know how they will make the partnership agreement under the proper regulatory guidance.
- (iv) know practically how someone can create a company and how the company will run.
- (v) know the proper court forum regarding the civil disputes.

### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Commercial Laws	40
B	Labor Act	20
C	Partnership Act	10
D	Corporate Laws	30

### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



# R1 – A. COMMERCIAL LAWS (40%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the issues under Sale of Goods Act, 1930.	(a) explain the background and nature of the act;	<ul style="list-style-type: none"> <li>• Background and statutory definitions</li> <li>• Essential elements of contract for the sale of goods</li> <li>• stipulation of sales</li> <li>• transfer of ownership, conditions and warranties</li> <li>• Performance of Contract of sale</li> <li>• remedial measures</li> <li>• auction sale</li> <li>• Unpaid seller</li> <li>• rules regarding delivery</li> </ul>
	(b) explain formation and effect of contract;	
	(c) measure the performance of the contract;	
	(d) identify the rights of unpaid seller against the goods;	
	(e) explain the provisions relating to breach of the contract;	
	(f) Identify different conditions and warranties.	
2. explain relevant issues under Negotiable Instruments Act, 1881.	(a) explain the nature of negotiable instrument;	<ul style="list-style-type: none"> <li>• Definition and nature of negotiable instrument</li> <li>• Promissory notes, bills of exchange and cheques</li> <li>• Special provisions relating to cheques</li> <li>• Payment and interest</li> <li>• Dishonor and discharge of negotiable instruments</li> <li>• Notice of dishonor</li> <li>• Penalties in case of dishonor of certain cheques for insufficiency of funds in the accounts</li> </ul>
	(b) explain different types of negotiable instruments, their nature and differences between them;	
	(c) explain the rights and liabilities of different parties to negotiable instruments	
	(d) Identify the situations when negotiable instruments can be dishonored and discharged.	
3. Explain relevant issues under the Arbitration Act, 2001.	(a) explain the background and nature of the act	<ul style="list-style-type: none"> <li>• Background and statutory definitions</li> <li>• issues to arbitration</li> <li>• appointment of arbitration, his power, rights and duties</li> <li>• Different methods of arbitration</li> <li>• Arbitration tribunal and proceedings</li> <li>• Arbitration award</li> <li>• Appeals</li> </ul>
	(b) Identify general provisions under the act	
	(c) Identify different methods of arbitration	
	(d) Explain the role of arbitration tribunal	
4. Explain relevant provisions from other acts	(a) Explain different provisions of Competition Act 2012	<ul style="list-style-type: none"> <li>• Formation of Bangladesh Competition Commission</li> <li>• Anti-competition contract</li> <li>• Grievances, Penalty and Appeal</li> <li>• Financial aspects of the commission</li> <li>• Registration procedures and duration</li> <li>• Effects of Registration</li> <li>• Use of trademark</li> </ul>
	(b) Explain different provisions of Trade Marks Act, 2009	



## R1 – B. LABOR ACT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the basics of Labor Act 2006	(a) explain the background of the act;	<ul style="list-style-type: none"> <li>• Background of Labor Act 2006</li> <li>• Important definitions</li> <li>• Conditions of employment</li> <li>• Procedure for leave</li> <li>• Discharge from service</li> <li>• Grievance procedure</li> <li>• Prohibition of employment of children and adolescent</li> <li>• Procedure of maternity benefit</li> <li>• Amount of maternity benefit</li> <li>• Different health and hygiene related issues</li> </ul>
	(b) explain important definitions relating to act;	
	(c) explain various conditions of service and employment;	
	(d) identify the provisions relating to the employment of adolescent;	
	(e) explain provisions relating to maternity benefits;	
	(f) Identify different health and hygiene benefits.	
2. explain special provisions relating to health, hygiene safety and welfare related issues	(a) identify provisions relating to safety;	<ul style="list-style-type: none"> <li>• Different safety measures like fencing, casing, hoists and lifts, precautionary measures etc.</li> <li>• Power of inspection</li> <li>• Restriction of employment of women in certain work</li> <li>• Ensuring employee welfare through facilities like first aid appliances, canteens, shelters, recreational and educational facilities etc.</li> </ul>
	(b) identify special provisions relating to health, hygiene;	
	(c) identify provisions relating to welfare	
3. explain different provisions having financial implications	(a) Explain provisions relating to wages and payments;	<ul style="list-style-type: none"> <li>• Wages, composition, deductions and payments</li> <li>• Computation of compensation</li> <li>• Compensation on contracting</li> <li>• Insolvency of employer</li> <li>• Establishment of participation fund and welfare fund</li> <li>• Investment of participation fund</li> <li>• Utilization of participation and welfare fund</li> <li>• Impact of tax on income from fund</li> <li>• Provident fund for worker, contribution to fund</li> </ul>
	(b) Identify situations for workers compensation for injury;	
	(c) Explain workers' participation in companies profit;	
	(d) Identify provisions relating to provident funds	



4. Explain other relevant provisions	(a) Identify the activities of wage board	<ul style="list-style-type: none"> <li>• Establishment of wage board</li> <li>• Fixation of wage and minimum wage</li> <li>• Trade union of workers and employers</li> </ul>
	(b) Identify the use of trade union	<ul style="list-style-type: none"> <li>• Registration of trade union</li> <li>• Membership with trade union</li> <li>• Raising and settlement of industrial disputes</li> <li>• Applications to labor courts</li> </ul>
	(c) Explain provisions relating to dispute, labor court, labor appellate tribunal, legal proceedings etc.	<ul style="list-style-type: none"> <li>• Procedure of appeal and labor appellate tribunal</li> <li>• Power of labor court and tribunal to prohibit strike</li> <li>• Penalty for non-compliance of labor court's order</li> <li>• Penalty for employment of child and adolescent</li> </ul>
	(d) Identify rules relating to penalty and procedure	<ul style="list-style-type: none"> <li>• Penalty for unfair labor practices</li> <li>• Penalty for other reasons</li> <li>• Power of courts to make orders</li> <li>• Offenses by companies</li> <li>• Report of offenses</li> </ul>

## R1 – C. PARTNERSHIP ACT (10%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Understand Partnership Act 1932 relating to partnership business	(a) explain the nature of partnership business;	<ul style="list-style-type: none"> <li>• Definition of partnership, partner, firm, firm name</li> <li>• Nature of Partnership firm</li> <li>• The Essential Elements of a Partnership</li> <li>• Who can be a Partner</li> <li>• Registration of Firms</li> <li>• Relations of Partners to one Another</li> <li>• Types of Partner</li> <li>• Rights of Partners</li> <li>• Duties of Partners</li> <li>• Introduction and retirements of partners</li> <li>• Expulsion and insolvency of partners</li> </ul>
	(b) explain relationship among the partners;	
	(c) explain relationship of partners with third parties;	
	(d) explain the provisions relating to change in composition of partners;	
	(e) explain the various methods of dissolution of firms; and	
	(f) explain the method of registration of firms.	



## R1 – D. CORPORATE LAWS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the issues relating to Companies Act, 1994.	(a) identify the background of company act;	<ul style="list-style-type: none"> <li>• Background of companies Act</li> <li>• Relevant statutory definitions</li> <li>• Memorandum and articles of association</li> <li>• Private limited, public limited companies, companies limited by guarantee</li> <li>• Share capital, reduction and reserve of capital</li> <li>• Board meetings, agenda, minutes</li> <li>• Prospectus and statement in lieu of prospectus</li> <li>• Financial statements and audit therein</li> <li>• Different forms of winding up</li> </ul>
	(b) identify the important documents relating to constitution and incorporation of companies;	
	(c) explain the issues relating to capital;	
	(d) explain management and administration of companies under companies act;	
	(e) explain different sections relating to accounts and audits; and	
	(f) explain the provisions relating to winding up;	
2. explain certain provisions of Bank Company Act, 1991.	(a) explain the background of bank company act;	<ul style="list-style-type: none"> <li>• Background and statutory definitions</li> <li>• Appointment and removal of directors and CEO</li> <li>• Paid up capital, reserve, provision for loans</li> <li>• Winding up of banking companies</li> </ul>
	(b) explain different provisions relating to accounting and audit; and	
	(c) explain the provisions relating to winding up.	
3. explain certain provisions of Insurance Act, 2010	(a) explain the background of insurance act;	<ul style="list-style-type: none"> <li>• Background and statutory definitions</li> <li>• Types of insurance, life vs. non-life</li> <li>• Determination of premium rates</li> <li>• Capital and deposits</li> <li>• Margin of safety</li> <li>• Investment in assets, loans and management</li> <li>• Licensing of agents</li> <li>• Survey and surveyors</li> </ul>
	(b) explain different provisions relating to insurance administration; and	
	(c) explain the provisions relating to accounting issues.	

### Reference Books:

1. Commercial Law and Industrial law – Arun Kumar Sen, Jitendra Kumar Mitra, World Press Private Ltd.
2. Business Law – T. C. Tulsian, Tata McGraw Hill, publishing Company Ltd.
3. Company and Securities Laws – Dr. M. Zahir, The University Press Ltd, Revised and Updated Edition.
4. Company Law and other Relevant Laws – Advocate Md. Kawser Hossain, Muhit Publication.
5. Bangladesh Labour Code, 2006 – Md. Abdul Halim, CCb Foundation: Lighting the Dark.
6. Company Act, 1994.
7. Study Materials- Legal Environment of Business- ICMAB.



## PAPER E1

### ENTERPRISE OPERATIONS

#### Syllabus overview

This paper addresses several functional areas of business, as well as introducing candidates to the economic, social and political context of international business. For each of the sections dealing with information systems, operations, marketing and managing human capital, the learning requirements alert students to major developments in the field as well as tools and techniques important to each functional area.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	The Global Business Environment	20%
B	Information Systems	20%
C	Operations Management	20%
D	Marketing	20%
E	Managing Human Capital	20%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## E1 – A. THE GLOBAL BUSINESS ENVIRONMENT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the social, political and economic context of business.	(a) explain the emergence of major economies in Asia and Latin America;	<ul style="list-style-type: none"> <li>• Cross-cultural management and different forms of business organisation.</li> <li>• Emerging market multinationals.</li> <li>• Liberalisation and economic nationalism.</li> <li>• Outsourcing and offshoring.</li> <li>• Major economic systems including US, European and transition economies.</li> <li>• National account balances (especially from international trade), monetary policy and their impact on markets.</li> </ul>
	(b) explain the emergence and importance of outsourcing and offshoring;	
	(c) explain the impact of international macroeconomic developments (e.g. long-term shifts in trade balances), on the organisation's competitive environment.	
2. analyse the relationship between the internal governance of the firm and external sources of governance and regulation.	(a) explain the principles and purpose of corporate social responsibility and the principles of good corporate governance in an international context;	<ul style="list-style-type: none"> <li>• Corporate governance, including stakeholders and the role of government.</li> <li>• Principles of corporate social responsibility and the scope for international variation, e.g. between developed and developing economies.</li> <li>• Business-government relations in developed and developing economies.</li> <li>• Regulation in the national and international context and its impact on the firm.</li> <li>• Role of institutions and governance in economic growth.</li> <li>• Corporate political activity in developed and developing markets.</li> <li>• Country and political risk.</li> </ul>
	(b) analyse relationships among business, society and government in national and regional contexts;	
	(c) apply tools of country and political risk analysis;	
	(d) discuss the nature of regulation and its impact on the firm.	



## E1 – B. INFORMATION SYSTEMS (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss the wider business context within which information systems operate.	(a) identify the value of information and information systems organisations;	<ul style="list-style-type: none"> <li>• The role of information systems in organisations.</li> <li>• Emerging information system trends in organisations (e.g. Enterprise-wide systems; knowledge management systems; customer relationship management systems, e.g. E-business, Web 2.0 tools).</li> <li>• Information technology enabled transformation; the emergence of new forms of organisation.</li> <li>• Geographically dispersed (virtual) teams; role of information systems in virtual teams and challenges for virtual collaboration.</li> </ul>
	(b) discuss the reasons for organisations' increased dependence on information systems;	
	(c) discuss the transformation of organisations through technology.	
2. analyse how information systems can be implemented in support of the organisation's strategy.	(a) discuss ways for overcoming problems in information system implementation;	<ul style="list-style-type: none"> <li>• Assessing the costs and benefits of information systems; criteria for evaluating information systems.</li> <li>• Privacy and security.</li> <li>• System changeover methods (i.e. direct, parallel, pilot and phased).</li> <li>• Information system implementation as a change management process; avoiding problems of non-usage and resistance.</li> <li>• Information system outsourcing (different types of sourcing strategies; client-vendor relationships).</li> <li>• Aligning information systems with business strategy (e.g. strategic importance of information systems; information systems for competitive advantage; information systems for competitive necessity).</li> </ul>
	(b) discuss ways of organising and managing information system activities in the context of the wider organisation.	



## E1 – C. OPERATIONS MANAGEMENT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the relationship of operations management to other aspects of the organisation's operations.	(a) explain the shift from price-based to relational procurement and operations;	<ul style="list-style-type: none"> <li>• Supply chain management as a strategic process.</li> <li>• An overview of operations strategy and its importance to the firm.</li> <li>• Supply chains in competition with each other; role of supply networks; demand networks as an evolution of supply chains.</li> <li>• Design of products/services and processes and how this relates to operations and supply.</li> <li>• The concept of sustainability in operations management.</li> </ul>
	(b) explain the relationship of operations and supply management to the competitiveness of the firm;	
	(c) explain the particular issues surrounding operations management in services;	
	(d) explain the importance of sustainability in operations management.	
2. apply tools and techniques of operations management..	(a) apply contemporary thinking in quality management;	<ul style="list-style-type: none"> <li>• Different methods of quality measurement (e.g. Servqual).</li> <li>• Approaches to quality management, including Total Quality Management (TQM), various British and European Union systems as well as statistical control processes.</li> <li>• External quality standards.</li> <li>• Systems used in operations management: Manufacturing Resource Planning II (MRPII);</li> <li>• Optimized Production Techniques (OPT) and Enterprise Resource Planning (ERP).</li> <li>• Use of process maps to present the flow of information and product across supply chains and networks.</li> <li>• Methods for managing inventory, including continuous inventory systems (e.g. Economic Order Quantity, EOQ), periodic inventory systems and the ABC system (Note: ABC is not an acronym; A refers to high value, B to medium and C to low value inventory).</li> <li>• Methods of managing operational capacity in product and service delivery (e.g. use of queuing theory, forecasting, flexible manufacturing systems).</li> <li>• Application of lean techniques to services.</li> <li>• Practices of continuous improvement (e.g. Quality circles, Kaizen, 5S, 6 Sigma).</li> <li>• The characteristics of lean production.</li> <li>• Criticisms and limitations of lean production.</li> <li>• Developing relationships with suppliers, including the use of supply portfolios.</li> </ul>
	(b) explain process design;	
	(c) apply tools and concepts of lean management;	
	(d) illustrate a plan for the implementation of a quality programme;	
	(e) describe ways to manage relationships with suppliers.	



## E1 – D. MARKETING (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain developments in marketing..	(a) explain the marketing concept, and the alternatives to it;	<ul style="list-style-type: none"> <li>• The marketing concept as a business philosophy.</li> <li>• The marketing environment, including societal, economic, technological, political and legal factors affecting marketing.</li> <li>• Marketing in not-for-profit organisations (i.e. charities, non-governmental organisations; the public sector).</li> <li>• Theories of consumer behaviour (e.g. social interaction theory), as well as factors affecting buying decisions, types of buying behaviour and stages in the buying process.</li> <li>• Social marketing and corporate social responsibility.</li> </ul>
	(b) describe the marketing environment of a range of organisations;	
	(c) explain marketing in a not-for-profit context;	
	(d) explain the social context of marketing behaviour;	
	(e) describe theories of consumer behaviour.	
2. apply tools and techniques used in support of the organisation's marketing.	(a) explain the relationships between market research, market segmentation, targeting and positioning;	<ul style="list-style-type: none"> <li>• Market research, including data gathering techniques and methods of analysis.</li> <li>• Segmentation and targeting of markets, and positioning of products within markets.</li> <li>• How business to business (B2B) marketing differs from business to consumer (B2C) marketing in its different forms (i.e. consumer marketing, services marketing, direct marketing, interactive marketing, e-marketing, internal marketing).</li> <li>• Promotional tools and the promotion mix.</li> <li>• The 'service extension' to the marketing mix.</li> <li>• Devising and implementing a pricing strategy.</li> <li>• Experiential marketing.</li> <li>• Marketing communications, including viral, guerrilla and other indirect forms of marketing.</li> <li>• Distribution channels and methods for marketing campaigns.</li> <li>• The role of marketing in the business plan of the organisation.</li> <li>• Brand image and brand value.</li> <li>• Product development and product/service life-cycles.</li> <li>• Internal marketing as the process of training and motivating employees so as to support the organisation's external marketing activities.</li> <li>• The differences and similarities in the marketing of products, services and experiences.</li> <li>• Product portfolios and the product mix.</li> </ul>
	(b) apply tools within each area of the marketing mix;	
	(c) describe the business contexts within which marketing principles can be applied;	
	(d) describe the market planning process;	
	(e) explain the role of branding and brand equity.	



## E1 – E. MANAGING HUMAN CAPITAL (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the relationship of Human Resources (HR) to the organisation's operations.	(a) explain how HR theories and activities can contribute to the success of the organisation;	<ul style="list-style-type: none"> <li>• Theories of Human Resource Management relating to ability, motivation and opportunity.</li> <li>• The psychological contract and its importance to retention.</li> <li>• The relationship of the employee to other elements of the business.</li> <li>• Personal business ethics and the fundamental principles (Part A) of the CIMA Code of Ethics for Professional Accountants.</li> </ul>
	(b) explain the importance of ethical behaviour in business generally and for the line manager and their activities.	
2. discuss the activities associated with the management of human capital.	(a) explain the HR activities associated with developing the ability of employees;	<ul style="list-style-type: none"> <li>• Practices associated with recruiting and developing appropriate abilities including recruitment and selection of staff using different recruitment channels (i.e. interviews, assessment centres, intelligence tests, aptitude tests, psychometric tests).</li> <li>• Issues relating to fair and legal employment practices (e.g. recruitment, dismissal, redundancy, and ways of managing these).</li> <li>• The distinction between development and training and the tools available to develop and train staff.</li> <li>• The design and implementation of induction programmes.</li> <li>• Practices related to motivation including issues in the design of reward systems (e.g. the role of incentives, the utility of performance-related pay, arrangements for knowledge workers, flexible work arrangements).</li> <li>• The importance of appraisals, their conduct and their relationship to the reward system.</li> <li>• Practices related to the creation of opportunities for employees to contribute to the organisation including job design, communications, involvement procedures and appropriate elements of negotiating and bargaining.</li> <li>• Problems in implementing an HR plan appropriate to a team and ways to manage this.</li> <li>• HR in different organisational forms (e.g. project based, virtual or networked firms) and different organisational contexts.</li> <li>• Preparation of an HR plan (e.g. Forecasting personnel requirements; retention, absence and leave, wastage).</li> </ul>
	(b) discuss the HR activities associated with the motivation of employees;	
	(c) describe the HR activities associated with improving the opportunities for employees to contribute to the firm;	
	(d) discuss the importance of the line manager in the implementation of HR practices;	
	(e) prepare an HR plan appropriate to a team.	

### Reference Books:

1. CIMA Study Text on Paper E1: Enterprise Operations
2. Operations Management, William J. Stevenson, McGraw Hill.
3. Principles of Marketing, Philip Kotler and Gary Armstrong, Global Edition.
4. Human Resource Management, Robert L. Mathis, John H. Jackson, and Sean R. Valentine, CENGAGE Learning.



# PAPER P1

## PERFORMANCE OPERATIONS

### Syllabus overview

This paper primarily deals with the tools and techniques that generate information needed to evaluate and control present and projected performance. Thus, forecasting key variables, recognizing uncertainties attached to future events, is a basis for budget construction; the budget is then used with costing systems to evaluate actual performance. Project appraisal relies similarly on future financial projections to provide the information on which managers can evaluate expected performance and actual outcomes. Both budgeting and project appraisal emphasize the critical importance of optimizing cash flow and the final section of the paper continues this theme from the perspective of managing working capital.

### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Cost Accounting Systems	30%
B	Forecasting and Budgeting Techniques	10%
C	Project Appraisal	25%
D	Dealing with Uncertainty in Analysis	15%
E	Managing Short Term Finance	20%

### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



# P1 – A. COST ACCOUNTING SYSTEMS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss costing methods and their results.	(a) compare and contrast marginal (or variable), throughput and absorption accounting methods in respect of profit reporting and stock valuation;	<ul style="list-style-type: none"> <li>• Marginal (or variable), throughput and absorption accounting systems of profit reporting and stock valuation.</li> <li>• Activity-based costing as a system of profit reporting and stock valuation.</li> <li>• Criticisms of standard costing in general and in advanced manufacturing environments in particular.</li> </ul>
	(b) discuss a report which reconciles budget and actual profit using absorption and/or marginal costing principles;	<ul style="list-style-type: none"> <li>• Integration of standard costing with marginal cost accounting, absorption costing and throughput accounting.</li> </ul>
	(c) discuss activity-based costing as compared with traditional marginal and absorption costing methods, including its relative advantages and disadvantages as a system of cost accounting;	<ul style="list-style-type: none"> <li>• Manufacturing standards for material, labour, variable overhead and fixed overhead.</li> <li>• Price/rate and usage/efficiency variances for materials, labour and variable overhead.</li> </ul>
	(d) apply standard costing methods, within costing systems, including the reconciliation of budgeted and actual profit margins;	<ul style="list-style-type: none"> <li>• Further subdivision of total usage/efficiency variances into mix and yield components. (Note: The calculation of mix variances on both individual and average valuation bases is required).</li> <li>• Fixed overhead expenditure and volume variances. (Note: the subdivision of fixed overhead volume variance into capacity and efficiency elements will not be examined).</li> </ul>
	(e) explain why and how standards are set in manufacturing and in service industries with particular reference to the maximisation of efficiency and minimisation of waste;	<ul style="list-style-type: none"> <li>• Planning and operational variances.</li> <li>• Standards and variances in service industries (including the phenomenon of 'McDonaldization'), public services (e.g. Health), (including the use of 'diagnostic related' or 'reference' groups), and the professions (e.g. labour mix variances in audit work).</li> </ul>
	(f) interpret material, labour, variable overhead, fixed overhead and sales variances, distinguishing between planning and operational variances;	<ul style="list-style-type: none"> <li>• Sales price and sales revenue/margin volume variances (calculation of the latter on a unit basis related to revenue, gross margin and contribution margin). Application of these variances to all sectors, including professional services and retail analysis.</li> </ul>
	(g) prepare reports using a range of internal and external benchmarks and interpret the results;	<ul style="list-style-type: none"> <li>• Interpretation of variances: interrelationship, significance.</li> <li>• Benchmarking.</li> </ul>
	(h) explain the impact of just-in-time manufacturing methods on cost accounting and the use of 'back-flush accounting' when work-in-progress stock is minimal.	<ul style="list-style-type: none"> <li>• Back-flush accounting in just-in-time production environments. The benefits of just-in-time production, total quality management and theory of constraints and the possible impacts of these methods on cost accounting and performance measurement.</li> </ul>



2. explain the role of MRP and ERP systems.	(a) explain the role of MRP and ERP systems in supporting standard costing systems, calculating variances and facilitating the posting of ledger entries.	• MRP and ERP systems for resource planning and the integration of accounting functions with other systems, such as purchase ordering and production planning.
3. apply principles of environmental costing.	(a) apply principles of environmental costing in identifying relevant internalized costs and externalized environmental impacts of the organization's activities.	• Types of internalized costs relating to the environment (e.g. emissions permits, taxes, waste disposal costs) and key externalized environmental impacts, especially carbon, energy and water usage. Principles for associating such costs and impacts with activities and output.

## P1 – B. FORECASTING AND BUDGETING TECHNIQUES (10%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the purposes of forecasts, plans and budgets.	(a) explain why organisations prepare forecasts and plans; (b) explain the purposes of budgets, including planning, communication, co-ordination, motivation, authorisation, control and evaluation, and how these may conflict.	• The role of forecasts and plans in resource allocation, performance evaluation and control. • The purposes of budgets and the budgeting process, and conflicts that can arise (e.g. between budgets for realistic planning and budgets based on 'hard to achieve' targets for motivation).
2. prepare forecasts of financial results.	(a) calculate projected product/service volumes employing appropriate forecasting techniques; (b) calculate projected revenues and costs based on product/service volumes, pricing strategies and cost structures.	• Time series analysis including moving totals and averages, treatment of seasonality, trend analysis using regression analysis and the application of these techniques in forecasting product and service volumes. • Fixed, variable, semi-variable and activity-based categorisations of cost and their application in projecting financial results.
3. prepare budgets based on forecasts.	(a) prepare a budget for any account in the master budget, based on projections/forecasts and managerial targets; (b) apply alternative approaches to budgeting.	• Mechanics of budget construction: limiting factors, component budgets and the master budget, and their interaction. • Alternative approaches to budget creation, including incremental approaches, zero-based budgeting and activity-based budgets.



## P1 – C. PROJECT APPRAISAL (25%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. prepare information to support project appraisal.	(a) explain the processes involved in making long-term decisions;	<ul style="list-style-type: none"> <li>• The process of investment decision making, including origination of proposals, creation of capital budgets, go/no go decisions on individual projects (where judgments on qualitative issues interact with financial analysis), and post audit of completed projects.</li> <li>• Identification and calculation of relevant project cash flows taking account of inflation, tax, and 'final' project value where appropriate.</li> <li>• Activity-based costing to derive approximate 'long-run' costs appropriate for use in strategic decision making.</li> <li>• Need for and method of discounting.</li> <li>• Sensitivity analysis to identify the input variables that most affect the chosen measure of project worth (payback, ARR, NPV or IRR).</li> <li>• Identifying and integrating non-financial factors in long-term decisions.</li> <li>• Methods of dealing with particular problems: the use of annuities in comparing projects with unequal lives and the profitability index in capital rationing situations.</li> </ul>
	(b) apply the principles of relevant cash flow analysis to long-run projects that continue for several years;	
	(c) calculate project cash flows, accounting for tax and inflation, and apply perpetuities to derive 'end of project' value where appropriate;	
	(d) apply activity-based costing techniques to derive approximate 'long-run' product or service costs appropriate for use in strategic decision making;	
	(e) explain the financial consequences of dealing with long-run projects, in particular the importance of accounting for the 'time value of money';	
	(f) apply sensitivity analysis to cash flow parameters to identify those to which net present value is particularly sensitive;	
	(g) prepare decision support information for management, integrating financial and non-financial considerations.	
2. evaluate project proposals.	(a) evaluate project proposals using the techniques of investment appraisal;	<ul style="list-style-type: none"> <li>• The techniques of investment appraisal: payback, discounted payback, accounting rate of return, net present value and internal rate of return.</li> <li>• Application of the techniques of investment appraisal to project cash flows and evaluation of the strengths and weaknesses of the techniques.</li> </ul>
	(b) compare and contrast the alternative techniques of investment appraisal;	
	(c) prioritise projects that are mutually exclusive, involve unequal lives and/or are subject to capital rationing.	



## P1—D. DEALING WITH UNCERTAINTY IN ANALYSIS (15%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. analyse information to assess the impact on decisions of variables with uncertain values.	(a) analyse the impact of uncertainty and risk on decision models that may be based on relevant cash flows, learning curves, discounting techniques etc;	<ul style="list-style-type: none"> <li>• The nature of risk and uncertainty.</li> <li>• Sensitivity analysis in decision modeling and the use of computer software for "what if" analysis.</li> <li>• Assignment of probabilities to key variables in decision models.</li> <li>• Analysis of probabilistic models and interpretation of distributions of project outcomes.</li> <li>• Expected value tables and the value of information.</li> <li>• Decision trees for multi-stage decision problems.</li> </ul>
	(b) apply sensitivity analysis to both short and long-run decision models to identify variables that might have significant impacts on project outcomes;	
	(c) analyse risk and uncertainty by calculating expected values and standard deviations together with probability tables and histograms;	
	(d) prepare expected value tables;	
	(e) calculate the value of information;	
	(f) apply decision trees.	



# P1 – E. MANAGING SHORT TERM FINANCE (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. analyse the working capital position and identify areas for improvement.	(a) explain the importance of cash flow and working capital management;	<ul style="list-style-type: none"> <li>• The link between cash, profit and the balance sheet.</li> <li>• The credit cycle from receipt of customer order to cash receipt and the payment cycle from agreeing the order to making payment.</li> <li>• Working capital ratios (e.g. debtor days, stock days, creditor days, current ratio, quick ratio) and the working capital cycle.</li> <li>• Working capital characteristics of different businesses (e.g. supermarkets being heavily funded by creditors) and the importance of industry comparisons.</li> <li>• Cash-flow forecasts, use of spreadsheets to assist in this in terms of changing variables (e.g. interest rates, inflation) and in consolidating forecasts.</li> <li>• Variables that are most easily changed, delayed or brought forward in a forecast.</li> <li>• Methods for evaluating payment terms and settlement discounts.</li> <li>• Preparation and interpretation of age analyses of debtors and creditors.</li> <li>• Establishing collection targets on an appropriate basis (e.g. motivational issues in managing credit control).</li> <li>• Centralised versus decentralised purchasing.</li> <li>• The relationship between purchasing and stock control.</li> <li>• Principles of the economic order quantity (EOQ) model and criticisms thereof.</li> </ul>
	(b) interpret working capital ratios for business sectors;	
	(c) analyse cash-flow forecasts over a twelve-month period;	
	(d) discuss measures to improve a cash forecast situation;	
	(e) analyse trade debtor and creditor information;	
	(f) analyse the impacts of alternative debtor and creditor policies;	
	(g) analyse the impacts of alternative policies for stock management.	
2. identify short-term funding and investment opportunities.	(a) identify sources of short-term funding;	<ul style="list-style-type: none"> <li>• Use and abuse of trade creditors as a source of finance.</li> <li>• Types and features of short-term finance: trade creditors, overdrafts, short-term loans and debt factoring.</li> <li>• The principles of investing short term (i.e. maturity, return, security, liquidity and diversification).</li> <li>• Types of investments (e.g. interest-bearing bank accounts, negotiable instruments including certificates of deposit, short-term treasury bills, and securities).</li> <li>• The difference between the coupon on debt and the yield to maturity.</li> <li>• Export finance (e.g. documentary credits, bills of exchange, export factoring, forfeiting).</li> </ul>
	(b) identify alternatives for investment of short-term cash surpluses;	
	(c) identify appropriate methods of finance for trading internationally;	
	(d) illustrate numerically the financial impact of short-term funding and investment methods.	

## Reference Books:

1. CIMA Study Text on Paper P1: Performance Operations
2. Financial Management – Theory and Practice, Eugene F. Brigham and Michael C. Ehrhardt, South Western Cengage Learning
3. Fundamentals of Project Management, James P. Lewis, AMACOM, a division of American Management Association
4. Cost Accounting – A Managerial Emphasis, Charles T. Horngren, Srikant M. Datar and Madhav V. Rajan, Prentice Hall
5. Managerial Accounting, Ray Garrison, Eric Noreen and Peter Brewer, McGraw Hill, Irwin



# PAPER F1

## FINANCIAL OPERATIONS

### Syllabus overview

The core objectives of Paper F1 are the preparation of the full financial statements for a single company and the principal consolidated financial statements for a simple group. Coverage of a wide range of international standards is implicit in these objectives, as specified in the paper's content.

Similarly, understanding the regulatory and ethical context of financial reporting, covered in the paper, is vital to ensuring that financial statements meet users' needs. Principles of taxation are included, not only to support accounting for taxes in financial statements, but also as a basis for examining the role of tax in financial analysis and decision-making within subsequent papers (Paper F2 Financial Management and Paper F3 Financial Strategy).

### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Principles of Business Taxation	25%
B	Regulation and Ethics of Financial Reporting	15%
C	Financial Accounting and Reporting	60%

### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



# F1 – A. PRINCIPLES OF BUSINESS TAXATION (25%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the types of tax that can apply to incorporated businesses, their principles and potential administrative requirements.	(a) identify the principal types of taxation likely to be of relevance to an incorporated business in a particular country;	<ul style="list-style-type: none"> <li>• Concepts of direct versus indirect taxes, taxable person and competent jurisdiction.</li> <li>• Types of taxation, including direct tax on the company's trading profits and capital gains, indirect taxes collected by the company, employee taxation and withholding taxes on international payments, and their features (e.g. in terms of who ultimately bears the tax cost, withholding responsibilities, principles of calculating the tax base).</li> <li>• Sources of tax rules (e.g. domestic primary legislation and court rulings, practice of the relevant taxing authority, supranational bodies, such as the EU in the case of value added/sales tax, and international tax treaties).</li> </ul>
	(b) describe the features of the principal types of taxation likely to be of relevance to an incorporated business in a particular country;	<ul style="list-style-type: none"> <li>• Indirect taxes collected by the company:               <ul style="list-style-type: none"> <li>- in the context of indirect taxes, the distinction between unit taxes (e.g. excise duties based on physical measures) and ad valorem taxes (e.g. sales tax based on value);</li> <li>- the mechanism of value added/sales taxes, in which businesses are liable for tax on their outputs less credits for tax paid on their inputs, including the concepts of exemption and variation in tax rates depending on the type of output and disallowance of input credits for exempt outputs.</li> </ul> </li> </ul>
	(c) explain key administrative requirements and the possible enquiry and investigation powers of taxing authorities associated with the principal types of taxation likely to be of relevance to an incorporated business;	<ul style="list-style-type: none"> <li>• Employee taxation:               <ul style="list-style-type: none"> <li>- the employee as a separate taxable person subject to a personal income tax regime;</li> <li>- use of employer reporting and withholding to ensure compliance and assist tax collection.</li> </ul> </li> </ul>
	(d) explain the difference in principle between tax avoidance and tax evasion;	<ul style="list-style-type: none"> <li>• The need for record-keeping and record retention that may be additional to that required for financial accounting purposes.</li> <li>• The need for deadlines for reporting (filing returns) and tax payments.</li> <li>• Types of powers of tax authorities to ensure compliance with tax rules:               <ul style="list-style-type: none"> <li>- power to review and query filed returns;</li> <li>- power to request special reports or returns;</li> <li>- power to examine records (generally extending back some years);</li> <li>- powers of entry and search;</li> <li>- exchange of information with tax authorities in other jurisdictions.</li> </ul> </li> </ul>
	(e) illustrate numerically the principles of different types of tax based on provided information.	<ul style="list-style-type: none"> <li>• The distinction between tax avoidance and tax evasion, and how these vary among jurisdictions (including the difference between the use of statutory general anti-avoidance provisions and case law based regimes).</li> </ul>



2. explain fundamental concepts in international taxation of incorporated businesses.	<p>(a) identify situations in which foreign tax obligations (reporting and liability) could arise and methods for relieving foreign tax;</p> <p>(b) explain sources of tax rules and the importance of jurisdiction.</p>	<ul style="list-style-type: none"> <li>• International taxation:               <ul style="list-style-type: none"> <li>- the concept of corporate residence and the variation in rules for its determination across jurisdictions (e.g. place of incorporation versus place of management);</li> <li>- types of payments on which withholding tax may be required (especially interest, dividends, royalties and capital gains accruing to non-residents);</li> <li>- means of establishing a taxable presence in another country (local company and branch);</li> <li>- the effect of double tax treaties (based on the OECD Model Convention) on the above (e.g. reduction of withholding tax rates, provisions for defining a permanent establishment).</li> </ul> </li> </ul>
3. prepare corporate income tax calculations.	(a) prepare corporate income tax calculations based on a given simple set of rules.	<ul style="list-style-type: none"> <li>• Direct taxes on company profits and gains:               <ul style="list-style-type: none"> <li>- the principle of non-deductibility of dividends and systems of taxation defined according to the treatment of dividends in the hands of the shareholder (e.g. classical, partial imputation and imputation);</li> <li>- the distinction between accounting and taxable profits in absolute terms (e.g. disallowable expenditure on revenue account, such as entertaining, and on capital account, such as formation and acquisition costs) and in terms of timing (e.g. deduction on a paid basis);</li> <li>- the concept of tax depreciation replacing book depreciation in the tax computation and its calculation based on the pooling of assets by their classes, including balancing adjustments on the disposal of assets;</li> <li>- the nature of rules re-characterising interest payments as dividends (e.g. where interest is based on profitability);</li> <li>- potential for variation in rules for calculating the tax base dependent on the nature or source of the income (scheduler systems);</li> <li>- the need for rules dealing with the relief of losses;</li> <li>- principles of relief for foreign taxes by exemption, deduction and credit.</li> <li>- the concept of tax consolidation (e.g. for relief of losses and deferral of capital gains on asset transfers within a group).</li> </ul> </li> </ul>
4. apply the accounting rules for current and deferred taxation.	(a) apply the accounting rules for current and deferred taxation, including calculation of deferred tax based on a given set of rules.	<ul style="list-style-type: none"> <li>• Accounting treatment of taxation and disclosure requirements under IAS 12.</li> </ul>



# F1 – B. REGULATIONS AND ETHICS OF FINANCIAL REPORTING (15%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the need for and methods of regulating accounting and financial reporting.	(a) explain the need for regulation of published accounts and the concept that regulatory regimes vary from country to country;	
	(b) explain potential elements that might be expected in a national regulatory framework for published accounts;	• The need for regulation of accounts.
	(c) describe the role and structure of the International Accounting Standards Board (IASB) and the International Organisation of Securities Commissions (IOSCO);	• Elements in a regulatory framework for published accounts (e.g. company law, local GAAP, review of accounts by public bodies).
	(d) explain the meaning of given features or parts of the IASB's Framework for the Presentation and Preparation of Financial Statements;	• GAAP based on prescriptive versus principles-based standards.
	(e) describe the process leading to the promulgation of an IFRS;	• The role and structure of the IASB and IOSCO.
	(f) describe ways in which IFRSs can interact with local regulatory frameworks;	• The IASB's Framework for the Presentation and Preparation of Financial Statements.
	(g) explain in general terms, the role of the external auditor, the elements of the audit report and types of qualification of that report.	• The process leading to the promulgation of a standard practice.
2. apply the provisions of the CIMA Code of Ethics for Professional Accountants.	(a) explain the importance of the exercise of ethical principles in reporting and assessing information;	• Ways in which IFRSs are used: adoption as local GAAP, model for local GAAP, persuasive influence in formulating local GAAP.
	(b) describe the sources of ethical codes for those involved in the reporting or taxation affairs of an organisation, including the external auditors;	• The powers and duties of the external auditors, the audit report and its qualification for accounting statements not in accordance with best practice.
	(c) apply the provisions of the CIMA Code of Ethics for Professional Accountants of particular relevance to the information reporting, assurance and tax-related activities of the accountant.	• Ethical requirements of the professional accountant in reporting and assessing information (the fundamental principles).
		• Sources of ethical codes (IFAC, professional bodies, employing organisations, social/religious/personal sources).
		• Provisions of the CIMA Code of Ethics for Professional Accountants of particular relevance to information reporting, assurance and tax-related activities (especially section 220 and Part C).



## F1—C. FINANCIAL ACCOUNTING AND REPORTING (60%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. prepare the full financial statements of a single company and the consolidated statements of financial position and comprehensive income for a group (in relatively straightforward circumstances).	(a) prepare a complete set of financial statements, in a form suitable for publication for a single company;	
	(b) apply the conditions required for an undertaking to be a subsidiary or an associate of another company;	
	(c) prepare the consolidated statement of financial position (balance sheet) and statement of comprehensive income for a group of companies in a form suitable for publication for a group of companies comprising directly held interests in one or more fully-controlled subsidiaries and associates (such interests having been acquired at the beginning of an accounting period);	<ul style="list-style-type: none"> <li>• Preparation of the financial statements of a single company, as specified in IAS 1 (revised), including the statement of changes in equity.</li> <li>• Preparation of the statement of cash flows (IAS 7).</li> <li>• Preparation of the consolidated statement of financial position (balance sheet) and statement of comprehensive income where: interests are directly held by the acquirer (parent) company; any subsidiary is fully controlled; and all interests were acquired at the beginning of an accounting period. (IFRS 3 and IAS 27, to the extent that their provisions are relevant to the specified learning outcomes).</li> <li>• IFRS 10, IFRS 12, IFRS 13.</li> </ul>
	(d) apply the concepts of fair value at the point of acquisition, identifiability of assets and liabilities, and recognition of goodwill.	



# F1 – B. REGULATIONS AND ETHICS OF FINANCIAL REPORTING (16%)

<p>2. apply international standards dealing with a range of matters and items.</p>	<p>(a) apply the accounting rules contained in IFRSs and IASs dealing with reporting performance, non-current assets, including their impairment, inventories, disclosure of related parties to a business, construction contracts (and related financing costs), post-balance sheet events, provisions, contingencies, and leases (lessee only);</p>	<ul style="list-style-type: none"> <li>• Reporting performance: recognition of revenue, measurement of profit or loss, prior period items, discontinuing operations and segment reporting (IAS 1(revised), 8 and 18, IFRS 5 and 8).</li> <li>• Property, Plant and Equipment (IAS 16): the calculation of depreciation and the effect of revaluations, changes to economic useful life, repairs, improvements and disposals.</li> <li>• Research and development costs (IAS 38): criteria for capitalisation.</li> <li>• Intangible Assets (IAS 38) and goodwill: recognition, valuation, amortisation.</li> <li>• Impairment of Assets (IAS 36) and Non-Current Assets Held for Sale (IFRS 5) and their effects on the above.</li> <li>• Inventories (IAS 2).</li> <li>• The disclosure of related parties to a business (IAS 24).</li> <li>• Construction contracts and related financing costs (IAS 11 and 23): determination of cost, net realisable value, the inclusion of overheads and the measurement of profit on uncompleted contracts.</li> <li>• Post-balance sheet events (IAS 10).</li> <li>• Provisions and contingencies (IAS 37).</li> <li>• Leases (IAS 17) – distinguishing operating from finance leases and the concept of substance over form (from the Framework); accounting for leases in the books of the lessee.</li> <li>• Issue and redemption of shares, including treatment of share issue and redemption costs (IAS 32 and 39), the share premium account, the accounting for maintenance of capital arising from the purchase by a company of its own shares.</li> </ul>
	<p>(b) explain the accounting rules contained in IFRSs and IASs governing share capital transactions.</p>	

## Reference Books:

1. CIMA Study Text on Paper F1: Financial Operations
2. Intermediate Accounting, Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, IFRS Edition, Wiley, Latest Edition.
3. Corporate Financial Reporting and Analysis, David Yound and Jacob Cohen, Wiley, Latest Edition.





# **Management Level Papers**

This section sets out the specific syllabus for each of the four papers at the management level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers at the operational level may also be relevant for the purposes of assessment.



## PAPER R2

### TAXATION

#### Syllabus overview

Taxation is a very important course unit in whole management accounting curriculum due to its due importance. Profession management accountants can work as tax experts at different capacities; even it may be selected as an independent career. Considering such importance this course is designed in an integrated way to equip the students with practical implications along with theoretical judgments. This course covers both direct and indirect taxes as applicable to Bangladesh. It is expected that after successful completion of this course unit, students will be able to assess their own income for tax purpose and at the same time can solve any tax related issues for their offices.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Direct Tax: Income Tax	50%
B	Indirect Tax: Value Added Tax and Customs*	35%
C	Miscellaneous	15%

\* Maximum 10% Weight goes for customs while setting questions for the exam.

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## R2 – A. INCOME TAX (50%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Learn about the basic theory and scope of Income tax in Bangladesh.	(a) Learn the theory of taxation;	<ul style="list-style-type: none"> <li>• Meaning of Tax, features and purposes of tax</li> <li>• Principles/Canons of taxation</li> <li>• Classification of Taxes</li> </ul>
	(b) Know the basics of income tax law in Bangladesh;	<ul style="list-style-type: none"> <li>• Characteristics of a Good Tax System</li> <li>• Tax Structure in Bangladesh</li> <li>• Income Tax, its meaning and nature</li> </ul>
	(c) Identify the structure of tax authority in Bangladesh; and	<ul style="list-style-type: none"> <li>• Importance in respect of contribution to internal resource mobilization</li> <li>• Historical perspective of the Income Tax Ordinance, 1984</li> <li>• Statutory definitions of important terms</li> </ul>
	(d) Identify different charge of income tax.	<ul style="list-style-type: none"> <li>• Administrative and Judicial authorities: appointment, organization structure, power and functions, Taxes Appellate Tribunal, Registered Income Tax practitioner</li> <li>• Sources of Income Tax Laws</li> <li>• Rates under ITO, 1984; ITR 1984 and different SROs issued from time to time</li> </ul>
2. Discuss about the computation of total taxable income	(a) Classify income;	<ul style="list-style-type: none"> <li>• Scope of Total Income on the basis of Assessee's Residential Status</li> <li>• Income deemed to accrue or arise in Bangladesh</li> <li>• Deemed Income (unexplained investment etc.)</li> <li>• Non – Assessable Income</li> <li>• Income under Specific Heads</li> <li>• <b>Salaries:</b> Definition, coverage, benefits and perquisites, provident fund etc.</li> <li>• <b>Interest on Securities:</b> Coverage, grossing up, exemptions, deductions, exclusion limit, ex-interest and cum-interest transactions, bond-washing transaction</li> </ul>
	(b) Identify residential status of different categories of assesses; and	<ul style="list-style-type: none"> <li>• <b>Income from House Property:</b> Annual value, coverage, deductions, repair and maintenance charges, tax holiday and exemption limit for newly constructed residential houses, TDS on income from house property</li> <li>• <b>Agricultural Income:</b> Fully, partly and other agricultural income, Agriculture assets, deductions, cost of production, applicability of reduced tax rate, set-off and carry forward of agricultural losses</li> <li>• <b>Income from Business or Profession:</b> Definitions, Capital and revenue expenditures, coverage, partially business income, admissible and inadmissible expenses, depreciation on business property (normal, extra, initial, accelerated and special), set-off and carry forward of business losses and losses in speculation business</li> </ul>
	(c) Learn taxability under different heads of income.	<ul style="list-style-type: none"> <li>• Share of Income from firms</li> <li>• Income of Spouse or Minor child</li> <li>• <b>Capital Gains:</b> Definitions, computation, exempted capital gains, set-off and carry forward of losses under Capital Gains</li> <li>• <b>Income from other Sources:</b> Coverage (dividend, interest, royalty, fees for technical services, etc.), deductions, clubbing of Income</li> <li>• Foreign Income</li> </ul>



3. Know about assessment procedure of different category of assessee	(a) Understand procedure of assessment;	<ul style="list-style-type: none"> <li>• Filing of return of income and supporting Statements</li> <li>• Assessment of Tax - Provisional Assessment and Final Assessment (Correct return basis, after-hearing basis, and ex-parte)</li> <li>• Other issues in assessment, self-assessment, presumptive assessment, assessment for outgoing persons and deceased persons, assessment of escaped income, limitations of assessment, reopening of assessment</li> </ul>
	(b) Learn assessments of Individuals, Firms, Association of Persons and Co-operative Societies; and	<ul style="list-style-type: none"> <li>• Assessment covering all heads of income</li> <li>• Set-off and carry forward of losses by firm's and partner's income including income other than firm's income</li> <li>• Allocation of firm's income</li> <li>• Assessment in case of change in firm's constitution and in case of constitution of new successor firm</li> <li>• Corporate – definition and scope</li> </ul>
	(c) Learn assessment of corporate income for taxation purpose.	<ul style="list-style-type: none"> <li>• Determination of total taxable income</li> <li>• Tax Rates and rebates due to CSR and others</li> <li>• Classification of companies according to Income Tax Law</li> <li>• Assessment of Various types of Companies including bank and insurance companies and companies engaged in extraction and exploration of material resources</li> <li>• Corporate fiscal incentives.</li> </ul>
4. Miscellaneous	(a) Know the provisions relating to payment of tax, refund and recovery;	<ul style="list-style-type: none"> <li>• Modes of Tax payment: Tax deducted at source (TDS) or pay-as-you-earn (PAYE)</li> <li>• Advance payment</li> <li>• Payment on the basis of return</li> <li>• Adjustments with other taxes paid</li> <li>• Payment on notice of demand</li> <li>• Tax Recovery, refund, and relief</li> </ul>
	(b) Learn provision regarding investment tax credit and tax rebate;	<ul style="list-style-type: none"> <li>• Investment tax credit</li> <li>• Tax rebate</li> </ul>
	(c) Learn provident, superannuation, pension and gratuity funds;	<ul style="list-style-type: none"> <li>• Kinds of Provident Funds (PF): Statutory, General &amp; Contributory</li> <li>• Recognized and Unrecognized PF</li> <li>• Privileges of Recognized PF</li> <li>• Approved Superannuation Fund</li> <li>• Pension and Gratuity Funds</li> </ul>
	(d) Discuss liabilities in special cases;	<ul style="list-style-type: none"> <li>• Liabilities of representatives, agents, firms, association of persons, partners, company directors, liquidators, etc.</li> </ul>
	(e) Understand provisions regarding appeals, revision and reference; and	<ul style="list-style-type: none"> <li>• Appeal and or Revision against DCT</li> <li>• Tax Recovery Officer (TRO)</li> <li>• Decision of appeal by AJCT</li> <li>• Taxes Appellate Tribunal</li> <li>• High Court Division and Appellate Division</li> </ul>
	(f) Have idea on some special topics	<ul style="list-style-type: none"> <li>• Offence and Prosecution</li> <li>• Methods of Accounting</li> <li>• Double Taxation Relief</li> <li>• Tax-holiday and Tax-exemption Scheme: Industrial undertakings, Tourist Industries, Objectives and Importance of the S</li> <li>• Accelerated Depreciation</li> <li>• Tax Audit and Investigation</li> <li>• Transfer pricing</li> </ul>



## R2 – B. INDIRECT TAX: VALUE ADDED TAX AND CUSTOMS (35%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Learn about Value Added Tax in Bangladesh.	(a) discuss the background of Value Added Tax in Bangladesh;	<ul style="list-style-type: none"> <li>• Concepts, Advantages and Disadvantages</li> <li>• Arguments for and against VAT</li> <li>• Imposition of VAT</li> <li>• Ascertaining value for determination of VAT</li> <li>• Time and method of payment</li> <li>• Imposition of supplementary duty (Third Schedule)</li> <li>• Turnover tax</li> <li>• Tax Credit</li> <li>• Computation of VAT in Bangladesh</li> <li>• Obligation of Tax payers under VAT laws</li> <li>• Exemption (First and Second Schedule)</li> <li>• Registration</li> <li>• VAT Authority</li> <li>• Enlistment for Turnover Tax or Enlistment for cottage Industry</li> <li>• Payment of VAT</li> <li>• VDS Guideline</li> <li>• Submission and examination of Return</li> <li>• Maintenance of Books of Accounts and Records</li> <li>• VAT audit</li> <li>• Offence and Penalties</li> <li>• Confiscation, Appeals and Revisions</li> <li>• Alternative dispute resolution</li> <li>• Recovery of Claimed VAT Refund</li> </ul>
	(b) Know about the VAT registration, imposition and return submission formalities;	
	(c) Identify different tax under VAT laws like supplementary duty, turnover tax etc;	
	(d) Identify the VAT authority with power and responsibilities;	
	(e) Identify the provisions relating to account keeping, audit and resolving dispute;	
	(f) Understand the fine and penalty provisions under VAT Act; and	
	(g) Apply VDS rule is different applicable areas to comply with the requirement.	



2. Learn about Customs Act in Bangladesh.	(a) Discuss the background of Customs Act, 1969;	<ul style="list-style-type: none"> <li>• Objective of Custom Act</li> <li>• Custom procedure</li> </ul>
	(b) Know about the Customs Authority, their power and duties;	<ul style="list-style-type: none"> <li>• Statutory definitions of import Terms</li> <li>• Duties under the custom Act 1969 - General Customs Duty (import/export duty), Regulatory Duty, Countervailing Duty, Anti-dumping Duty and safeguard duty</li> </ul>
	(c) Know the provisions relating to prohibition and restriction of importation and exportation;	<ul style="list-style-type: none"> <li>• Exemption from duties</li> <li>• Value of goods for assessment purpose – PSI Certificates</li> </ul>
	(d) Learn about levy of, exemption from and payment of customs duties;	<ul style="list-style-type: none"> <li>• Refund claim</li> <li>• Rates of Duties, Duties Taxes and other charges collected by custom Authority at Import point - Custom Duty (CD), Supplementary Duty (SD), Value Added Tax (VAT), Infrastructure Development surcharge (IDSC), and Advance Income Tax (AIT)</li> </ul>
	(e) Know about the provisions relating to duty drawback;	<ul style="list-style-type: none"> <li>• Computation of Duties and Taxes at Import stage</li> <li>• Prohibited goods</li> </ul>
	(f) Learn about the special provisions regarding baggage and goods imported or exported by post;	<ul style="list-style-type: none"> <li>• Duty Drawback</li> <li>• Customs Authority – power, duties and responsibilities</li> </ul>
	(g) Identify the offences and penalty provisions under customs act; and	<ul style="list-style-type: none"> <li>• Assessment Appeals and Revision</li> <li>• Offence and Penalties</li> <li>• Power of Search, Seizure and Arrest under Custom Act</li> </ul>
	(h) Know the assessment, appeals and revision procedure under the customs act.	<ul style="list-style-type: none"> <li>• Travel Tax on Foreign Tours</li> <li>• Baggage rules and related Taxes</li> </ul>



## R2 – C. MISCELLANEOUS (15%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Learn about the basic theory and scope of excise duty in Bangladesh.	(a) discuss the basics of excise duty in Bangladesh;	<ul style="list-style-type: none"> <li>• Excise duty: meaning and objectives</li> <li>• Current coverage of excise taxation</li> <li>• Levy and collection of duty (First Schedule)</li> <li>• Regulatory and additional duty of excise</li> <li>• Determination of value for the purpose of duty</li> <li>• Offences and penalties</li> <li>• Excise officers – power and duties</li> </ul>
	(b) Know the coverage of excise taxation;	
	(c) Identify the procedure of levy and collection of duties under excise; and	
	(d) Identify the provisions relating to offences and penalties.	
2. Gain expertise on tax planning	(a) Understand the scope of tax planning;	<ul style="list-style-type: none"> <li>• Tax evasion, avoidance, and planning</li> <li>• Prerequisite to effective tax planning - all parties, all taxes and all costs</li> <li>• Taxing authority as an uninvited investment partner</li> <li>• Influence of tax rules on investment, finance and dividend decisions</li> <li>• Types of tax planning</li> <li>• Importance of Tax planning</li> <li>• Restrictions on taxpayer behavior</li> <li>• Tax Arbitrage</li> <li>• Tax Clientele</li> </ul>
	(b) Apply different tax planning theories in practical scenarios;	
	(c) Differentiate between tax evasion, avoidance and planning;	
	(d) Visualize the role of tax authority from a different perspective; and	
	(e) Apply the taxation theory for the greater benefit of the society.	
3. Learn about the basic theory and scope of gift tax in Bangladesh.	(a) Understand the nature of gift and gift tax in Bangladesh;	<ul style="list-style-type: none"> <li>• Gift – meaning and scope</li> <li>• Chargeability of gift tax</li> <li>• Exemption from Gift tax</li> <li>• Determination of the value of Gifts</li> <li>• Return of gifts</li> <li>• Assessment procedure</li> <li>• Gift tax payable</li> <li>• Recovery of tax and penalties</li> <li>• Gift tax authority</li> <li>• Appeal</li> <li>• Rates of gift tax</li> </ul>
	(b) Identify the chargeability of, and exemption from gift tax;	
	(c) Know the assessment procedure and submission of return for the purpose of gift tax;	
	(d) Value taxable gift; and	
	(e) Know the rates applicable for charging tax on gift.	



### Reference Books:

1. Income Tax Ordinance – 1984 and Income Tax Rules 1984
2. Customs Act 2014
3. Value Added Tax and Supplementary Duty Act – 2012
4. Excise and Salt Act – 1944
5. Gift Tax Act – 1990
6. The Finance Acts (Latest)
7. Tax Planning under Direct Taxes, Acharya, Shuklendra and M.G. Gurha, Modern Law Publication, Allahabad
8. Taxation, Wilkinson, M. (1992), London: McMillan Press
9. Bangladesh Income Tax: Theory and Practice, Shil N. C., Z. Masud and F. Alam (2016), Tenth edition, Shams Publications, Nilkhet, Dhaka.
10. Study Materials- Taxation- ICMAB.



## PAPER E2

### ENTERPRISE MANAGEMENT

#### Syllabus overview

Paper E2 moves away from the emphasis on functional knowledge within Paper E1 Enterprise Operations; towards a holistic, integrated view of management across the organization. Building on important concepts in strategic management, this paper develops tools and techniques for identifying the key types of competitive environment. The skills and tools of project management are also addressed. Finally, the paper introduces the skills and tools needed to work with, manage and develop teams. This includes both the legal aspects of managing individuals, as well as the softer elements of negotiation and leadership skills.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Strategic Management and Assessing the Competitive Environment	30%
B	Project Management	40%
C	Management of Relationships	30%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## E2 – A. STRATEGIC MANAGEMENT AND ASSESSING THE COMPETITIVE ENVIRONMENT (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss different competitive environments and key external characteristics of these environments.	(a) discuss the nature of competitive environments;	<ul style="list-style-type: none"> <li>• PEST analysis and its derivatives.</li> <li>• The use of stakeholder mapping.</li> <li>• Qualitative approaches to competitive analysis.</li> <li>• Competitor analysis and competitive strategies (both qualitative and quantitative tools of competitor analysis will be used).</li> <li>• Sources, availability and quality of data for environmental analysis.</li> <li>• Porter's Five Forces model and its use for assessing the external environment.</li> <li>• Porter's Diamond and its use for assessing the competitive advantage of nations.</li> </ul>
	(b) distinguish between different types of competitive environments.	
2. discuss developments in strategic management.	(a) discuss concepts in established and emergent thinking in strategic management;	<ul style="list-style-type: none"> <li>• Perspectives on the strategic management of the firm (including transaction cost, resource-based view and ecological perspective).</li> <li>• Approaches to strategy (e.g. rational, adaptive, emergent, evolutionary or system based views).</li> <li>• Levels of strategy (e.g. corporate, business-level, functional) (Note: candidates are not expected to identify or evaluate options).</li> </ul>
	(b) compare and contrast approaches to strategy formulation;	
	(c) explain the relationships between different levels of strategy in organisations.	



## E2 – B. PROJECT MANAGEMENT (40%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss tools and techniques of project management.	(a) identify a project, a programme and their attributes;	<ul style="list-style-type: none"> <li>• The definition of a programme, a project, project management, and the contrast with repetitive operations and line management.</li> <li>• 4-D and 7-S models to provide an overview of the project process, and the nine key process areas (PMI) to show what happens during each part of the process.</li> <li>• The benefits and limitations of having a single process for managing projects.</li> <li>• Key tools for project managers (e.g. Work Breakdown Structure, network diagrams (Critical Path Analysis), Gantt charts, resource histograms, gates and milestones).</li> <li>• Earned Value Management.</li> <li>• Evaluation of plans for projects.</li> <li>• The key processes of PRINCE2 and their implications for project staff.</li> <li>• Managing scope at the outset of a project and providing systems for configuration management/change control.</li> <li>• The production of basic plans for time, cost and quality.</li> <li>• Scenario planning and buffering to make provision for uncertainty in projects, as part of the risk and opportunities management process.</li> <li>• Organisational structures, including the role of the project and matrix organisations, and their impact on project achievement.</li> <li>• Teamwork, including recognising the life-cycle of teams, team/group behaviour and selection.</li> <li>• Control of time, cost and quality through performance and conformance management systems.</li> <li>• Project completion, documentation, completion reports and system close-down.</li> <li>• The use of post-completion audit and review activities and the justification of their costs.</li> </ul>
	(b) apply suitable structures and frameworks to projects to identify common project management issues;	
	(c) construct an outline of the process of project management;	
	(d) identify the characteristics of each phase in the project process;	
	(e) apply key tools and techniques, including the evaluation of proposals;	
	(f) produce a basic project plan incorporating strategies for dealing with uncertainty, in the context of a simple project;	
	(g) identify structural and leadership issues that will be faced in managing a project team;	
	(h) compare and contrast project control systems;	
	(i) discuss the value of post-completion audit;	
	(j) apply a process of continuous improvement to projects.	
2. evaluate the relationship of the project manager to the external environment.	(a) produce a strategy for a project;	<ul style="list-style-type: none"> <li>• Determining and managing trade-offs between key project objectives of time, cost and quality.</li> <li>• Stakeholders (both process and outcome), their power and interest, and their needs and expectations, marketing and communications to enhance perceptions.</li> <li>• Roles of support structures, including project management offices, as well as project sponsors (SROs), boards, champions, managers and clients.</li> </ul>
	(b) recommend strategies for the management of stakeholder perceptions and expectations;	
	(c) explain the roles of key players in a project organisation.	



## E2 — C. MANAGEMENT OF RELATIONSHIPS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss concepts associated with the effective operation of an organisation.	(a) discuss the concepts of power, bureaucracy, authority, responsibility, leadership and delegation;	<ul style="list-style-type: none"> <li>• The concepts of power, authority, bureaucracy, leadership, responsibility and delegation and their application to relationships within an organisation and outside it.</li> <li>• Organisational culture: definition, classification, importance.</li> <li>• The sources of conflict in organisations and the ways in which conflict can be managed to ensure that working relationships are productive and effective.</li> </ul>
	(b) demonstrate the importance of organisational culture;	
	(c) identify the nature and causes of conflict;	
	(d) discuss alternative approaches to the management of conflict.	
2. discuss the activities associated with managing people and their associated techniques.	(a) analyse the relationship between managers and their subordinates, including legal aspects affecting work and employment;	<ul style="list-style-type: none"> <li>• Disciplinary procedures and their operation, including the form and process of formal disciplinary action and dismissal (e.g. industrial tribunals, arbitration and conciliation).</li> <li>• The nature and effect of legal issues affecting work and employment, including the application of relevant employment law (i.e. relating to health, safety, discrimination, fair treatment, childcare, contracts of employment and working time).</li> <li>• Communication skills (i.e. types of communication tools and their use, as well as the utility and conduct of meetings) and ways of managing communication problems.</li> <li>• Negotiation skills.</li> <li>• Managing the finance function to maximise its value to the organisation through lean operation (e.g. business process outsourcing, shared service centres) and contribution to other functions (e.g. embedding finance personnel in business and strategic decision processes).</li> <li>• Management of relationships with professional advisors (accounting, tax and legal), auditors and financial stakeholders (investors and financiers) to meet organisational objectives.</li> <li>• The principles of corporate governance and the CIMA Code of Ethics for Professional Accountants, and their relevance to the role, obligations and expectations of a manager.</li> <li>• How to lead and manage a team.</li> <li>• The role of a mentor, and the process of mentoring.</li> <li>• Motivating team members.</li> <li>• The use of systems of control within the organisation (e.g. employment contracts, performance appraisal, reporting structures).</li> </ul>
	(b) discuss the roles of negotiation and communication in the management process, both within an organisation and with external bodies;	
	(c) discuss the effectiveness of relationships between the finance function and other parts of the organisation and with external stakeholders;	
	(d) Identify tools for managing and controlling individuals, teams and networks, and for managing group conflict;	
	(e) compare and contrast ways to deal effectively with discipline problems;	
	(f) explain the process and importance of mentoring junior colleagues;	
	(g) analyse issues of business ethics and corporate governance.	

### Reference Books:

1. CIMA Study Material for Paper E2.
2. Strategic Management-Concept and Cases, Arthur A. Thompson and A. J. Strickland III, Tata McGraw – Hill Publishing Company Limited.
3. Project Management – A Managerial Approach, Jack R. Meredith and Samud J. Mantel, Jr., John Wiley & Sons, Inc.
4. Readings in Human Resource Management, Raymond A. Noc, John R. Hallenback, Barry Gerhart, and Patrick M. Wright, Austen Press, Richard D. Irwin, Inc.



# PAPER P2

## PERFORMANCE MANAGEMENT

### Syllabus overview

While Paper P2 continues the analytic theme of Paper P1 Performance Operations (for example in terms of identifying relevant costs), its main focus is on the application of information in the management processes of decision-making and control, so as to optimise performance. The first two sections deal respectively with the key contributors to operational performance – revenue (decisions of what to produce, at what price) and costs (how to manage them to maximise profitability). The role of control in monitoring and improving performance then comes to the fore in the final two sections, dealing with principles and practices in the use of responsibility centres and budgeting.

### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Pricing and Product Decisions	30%
B	Cost Planning and Analysis for Competitive Advantage	30%
C	Budgeting and Management Control	20%
D	Control and Performance Measurement of Responsibility Centres	20%

### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## P2 – A. PRICING AND PRODUCT DECISIONS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss concepts of cost and revenue relevant to pricing and product decisions.	(a) discuss the principles of decision-making including the identification of relevant cash flows and their use alongside non-quantifiable factors in making rounded judgements;	<ul style="list-style-type: none"> <li>• Relevant cash flows and their use in short-term decisions, typically concerning acceptance/rejection of contracts, pricing and cost/benefit comparisons.</li> <li>• The importance of strategic, intangible and non-financial judgements in decision-making.</li> <li>• Relevant costs and revenues in decision-making and their relation to accounting concepts.</li> <li>• Marginal and full cost recovery as bases for pricing decisions in the short and long-term.</li> </ul>
	(b) discuss the possible conflicts between cost accounting for profit reporting and stock valuation and information required for decision-making;	
	(c) discuss the particular issues that arise in pricing decisions and the conflict between 'marginal cost' principles and the need for full recovery of all costs incurred.	
2. analyse short-term pricing and product decisions.	(a) explain the usefulness of dividing costs into variable and fixed components in the context of short-term decision making;	<ul style="list-style-type: none"> <li>• Simple product mix analysis in situations where there are limitations on product/service demand and one other production constraint.</li> <li>• Multi-product break-even analysis, including break-even and profit/volume charts, contribution/sales ratio, margin of safety etc.</li> <li>• Linear programming for more complex situations involving multiple constraints. Solution by graphical methods of two variable problems, together with understanding of the mechanics of simplex solution, shadow prices etc. (Note: questions requiring the full application of the simplex algorithm will not be set although candidates should be able to formulate an initial tableau, interpret a final simplex tableau and apply the information it contained in a final tableau).</li> <li>• Sensitivity analysis of CVP-based decision models.</li> </ul>
	(b) interpret variable/fixed cost analysis in multiple product contexts to break-even analysis and product mix decision making, including circumstances where there are multiple constraints and linear programming methods are needed to identify 'optimal' solutions;	
	(c) discuss the meaning of 'optimal' solutions and how linear	
	(d) programming methods can be employed for profit maximising, revenue maximising and satisfying objectives;	
	(e) analyse the impact of uncertainty and risk on decision models based on CVP analysis.	
3. discuss pricing strategies and their consequences.	(a) apply an approach to pricing based on profit maximisation in imperfect markets;	<ul style="list-style-type: none"> <li>• Pricing decisions for profit maximising in imperfect markets. (Note: tabular methods of solution are acceptable).</li> <li>• Pricing strategies and the financial consequences of market skimming, premium pricing, penetration pricing, loss leaders, product bundling/ optional extras and product differentiation to appeal to different market segments.</li> <li>• The allocation of joint costs and decisions concerning process and product viability based on relevant costs and revenues.</li> </ul>
	(b) discuss the financial consequences of alternative pricing strategies;	
	(c) explain why joint costs must be allocated to final products for financial reporting purposes, but why this is unhelpful when decisions concerning process and product viability have to be taken.	



## P2 – B. COST PLANNING AND ANALYSIS FOR COMPETITIVE ADVANTAGE (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate techniques for analyzing and managing costs for competitive advantage	(a) compare and contrast value analysis and functional cost analysis;	
	(b) evaluate the impacts of just-in-time production, the theory of constraints and total quality management on efficiency, inventory and cost;	
	(c) explain the concepts of continuous improvement and Kaizen costing that are central to total quality management;	
	(d) prepare cost of quality reports;	
	(e) apply learning curves to estimate time and cost for new products and services;	
	(f) apply the techniques of activity-based management in identifying cost drivers/activities;	
	(g) explain how process re-engineering can be used to eliminate non-value adding activities and reduce activity costs;	
	(h) explain how target costs can be derived from target prices and the relationship between target costs and standard costs;	
	(i) discuss the concept of life cycle costing and how life cycle costs interact with marketing strategies at each stage of the life cycle.	
	(j) discuss the concept of the value chain and the management of contribution/profit generated throughout the chain;	
	(k) discuss gain sharing arrangements whereby contractors and customers benefit if contract targets for cost, delivery etc. are beaten;	
	(l) analyse direct customer profitability and extend this analysis to distribution channel profitability through the application of activity-based costing ideas;	
	(m) apply Pareto analysis as a convenient technique for identifying key elements of data and in presenting the results of other analyses, such as activity-based profitability calculations.	
		<ul style="list-style-type: none"> <li>• Value analysis and quality function deployment.</li> <li>• The benefits of just-in-time production, total quality management and theory of constraints and the implications of these methods for decision-making in the 'new manufacturing environment'.</li> <li>• Kaizen costing, continuous improvement and cost of quality reporting.</li> <li>• Learning curves and their use in predicting product/service costs, including derivation of the learning rate and the learning index.</li> <li>• Activity-based management in the analysis of overhead and its use in improving the efficiency of repetitive overhead activities.</li> <li>• Target costing.</li> <li>• Life cycle costing and implications for marketing strategies.</li> <li>• The value chain and supply chain management, including the trend to outsource manufacturing operations to transition and developing economies.</li> <li>• Gain sharing arrangements in situations where, because of the size of the project, a limited number of contractors or security issues (e.g. in defence work), normal competitive pressures do not apply.</li> <li>• The use of direct and activity-based cost methods in tracing costs to 'cost objects', such as customers or distribution channels, and the comparison of such costs with appropriate revenues to establish 'tiered' contribution levels, as in the activity-based cost hierarchy.</li> <li>• Pareto analysis.</li> </ul>



## P2 – C. BUDGETING AND MANAGEMENT CONTROL (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. explain the principles that underlie the use of budgets in control.	(a) explain the concepts of feedback and feed-forward control and their application in the use of budgets for planning and control;	<ul style="list-style-type: none"> <li>• Control system concepts.</li> <li>• The use of budgets in planning: 'rolling budgets' for adaptive planning.</li> <li>• Responsibility accounting and the use of budgets for control: controllable costs and; treatment of uncontrollable costs; the conceptual link between standard costing and budget flexing.</li> </ul>
	(b) explain the concept of responsibility accounting and its importance in the construction of functional budgets that support the overall master budget;	
	(c) identify controllable and uncontrollable costs in the context of responsibility accounting and why uncontrollable costs may or may not be allocated to responsibility centres.	
2. evaluate performance using budgets, recognising alternative approaches and sensitivity to variable factors.	(a) evaluate projected performance using ratio analysis;	<ul style="list-style-type: none"> <li>• Assessing the financial consequences of projected performance through key metrics including profitability, liquidity and asset turnover ratios.</li> <li>• What-if analysis based on alternate projections of volumes, prices and cost structures and the use of spreadsheets in facilitating these analyses.</li> <li>• The evaluation of out-turn performance using variances based on 'fixed' and 'flexed' budgets.</li> </ul>
	(b) evaluate the consequences of "what if" scenarios and their impact on the master budget;	
	(c) evaluate performance using fixed and flexible budget reports.	
3. discuss the broader managerial issues arising from the use of budgets in control.	(a) discuss the impact of budgetary control systems and setting of standard costs on human behaviour;	<ul style="list-style-type: none"> <li>• Behavioural issues in budgeting: participation in budgeting and its possible beneficial consequences for ownership and motivation; participation in budgeting and its possible adverse consequences for 'budget padding' and manipulation; setting budget targets for motivation; implications of setting standard costs etc.</li> <li>• Non-financial performance indicators.</li> <li>• Criticisms of budgeting and the recommendations of the advocates of the balanced scorecard and 'beyond budgeting'.</li> </ul>
	(b) discuss the role of non-financial performance indicators;	
	(c) compare and contrast traditional approaches to budgeting with recommendations based on the 'balanced scorecard';	
	(d) discuss the criticisms of budgeting, particularly from the advocates of 'beyond budgeting' techniques.	



## P2 — D. CONTROL AND PERFORMANCE MEASUREMENT OF RESPONSIBILITY CENTERS (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss the use of responsibility centres in devising organization structure and in management control.	(a) discuss the use of cost, revenue, profit and investment centres in devising organisation structure and in management control.	• Organisation structure and its implications for responsibility accounting.
2. discuss information suitable for management decision-making in responsibility centres.	(a) discuss cost information in appropriate formats for cost centre managers, taking due account of controllable/uncontrollable costs and the importance of budget flexing;	• Presentation of financial information representing performance and recognising issues of controllable/uncontrollable costs, variable/fixed costs and tracing revenues and costs to particular cost objects. • Return on investment and its deficiencies; the emergence of residual income and economic value added to address these.
	(b) discuss revenue and cost information in appropriate formats for profit and investment centre managers, taking due account of cost variability, attributable costs, controllable costs and identification of appropriate measures of profit centre 'contribution';	
	(c) discuss alternative measures of performance for responsibility centres.	
3. discuss the broader managerial issues arising from the division of the organisation into responsibility centres.	(a) discuss the likely behavioural consequences of the use of performance metrics in managing cost, profit and investment centres;	• The behavioural consequences of performance management and control. • The theory of transfer pricing, including perfect, imperfect and no market for the intermediate good. • Use of negotiated, market, cost-plus and variable cost based transfer prices. 'Dual' transfer prices and lump sum payments as means of addressing some of the issues that arise. • The interaction of transfer pricing and tax liabilities in international operations and implications for currency management and possible distortion of internal company operations in order to comply with Tax Authority directives.
	(b) discuss the typical consequences of a divisional structure for performance measurement as divisions compete or trade with each other;	
	(c) discuss the likely consequences of different approaches to transfer pricing for divisional decision making, divisional and group profitability, the motivation of divisional management and the autonomy of individual divisions;	
	(d) discuss in principle the potential tax and currency management consequences of internal transfer pricing policy.	

### Reference Books:

1. CIMA Study Material for Paper P2.
2. Managerial Accounting, Ray H. Garrison, Eric W. Noreen, and Peter C. Brewer, McGraw – Hill.
3. Advanced Management Accounting, Robert S. Kaplan and Anthony A. Atkinson, Prentice – Hall of India Private Limited.
4. Cost Accounting – Using a Cost Management Approach, L. Gayle Rayburn, IRWIN



## PAPER F2

### FINANCIAL MANAGEMENT

#### Syllabus overview

Paper F2 extends the scope of Paper F1 Financial Operations to more advanced topics in financial accounting (preparation of full consolidated financial statements and issues of principle in accounting standards dealing with more complex areas) and to developments in external reporting. With the advanced level of financial accounting and reporting achieved in this paper, the analysis and interpretation of accounts becomes more meaningful and this constitutes a substantial element.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Group Financial Statements	35%
B	Issues in Recognition and Measurement	20%
C	Analysis and Interpretation of Financial Accounts	35%
D	Developments in External Reporting	10%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## F2 — A. GROUP FINANCIAL STATEMENTS (35%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. prepare the full consolidated statements of a single company and the consolidated statements of financial position and comprehensive income for a group (in relatively complex circumstances).	(a) prepare a complete set of consolidated financial statements in a form suitable for publication for a group of companies;	<ul style="list-style-type: none"> <li>• Relationships between investors and investees, meaning of control and circumstances in which a subsidiary is excluded from consolidation.</li> <li>• The preparation of consolidated financial statements (including the group cash flow statement and statement of changes in equity) involving one or more subsidiaries, sub-subsidiaries and associates (IAS 1(revised), 7 and 27, IFRS 3).</li> <li>• The treatment in consolidated financial statements of minority interests, pre and post- acquisition reserves, goodwill (including its impairment), fair value adjustments, intra-group transactions and dividends, piece-meal and mid-year acquisitions, and disposals to include sub-subsidiaries and mixed groups.</li> <li>• The accounting treatment of associates and joint ventures (IAS 28 and 31) using the equity method and proportional consolidation method.</li> </ul>
	(b) demonstrate the impact on group financial statements where: there is a minority interest; the interest in a subsidiary or associate is acquired or disposed of part way through an accounting period (to include the effective date of acquisition and dividends out of pre-acquisition profits); shareholdings, or control, are acquired in stages; intra-group trading and other transactions occur; the value of goodwill is impaired;	
	(c) apply the concept of a joint venture and how various types are accounted for.	
2. explain the principles of accounting for capital schemes and foreign exchange rate changes.	(a) explain the principles of accounting for a capital reconstruction scheme or a demerger;	<ul style="list-style-type: none"> <li>• Accounting for reorganisations and capital reconstruction schemes.</li> <li>• Foreign currency translation (IAS 21), to include overseas transactions and investments in overseas subsidiaries.</li> </ul>
	(b) explain foreign currency translation principles, including the difference between the closing rate/net investment method and the historical rate method;	
	(c) explain the correct treatment for foreign loans financing foreign equity investments.	



## F2 – B. ISSUES IN RECOGNITION AND MEASUREMENT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss accounting principles and their relevance to accounting issues of contemporary interest.	(a) discuss the problems of profit measurement and alternative approaches to asset valuations;	
	(b) discuss measures to reduce distortion in financial statements when price levels change;	<ul style="list-style-type: none"> <li>• The problems of profit measurement and the effect of alternative approaches to asset valuation; current cost and current purchasing power bases and the real terms system; Financial Reporting in Hyperinflationary Economies (IAS 29).</li> </ul>
	(c) discuss the principle of substance over form applied to a range of transactions;	<ul style="list-style-type: none"> <li>• The principle of substance over form and its influence in dealing with transactions such as sale and repurchase agreements, consignment stock, debt factoring, securitised assets, loan transfers and public and private sector financial collaboration.</li> </ul>
	(d) discuss the possible treatments of financial instruments in the issuer's accounts (i.e. liabilities versus equity, and the implications for finance costs);	<ul style="list-style-type: none"> <li>• Financial instruments classified as liabilities or shareholders funds and the allocation of finance costs over the term of the borrowing (IAS 32 and 39).</li> <li>• The measurement, including methods of determining fair value, and disclosure of financial instruments (IAS 32 and 39, IFRS 7).</li> </ul>
	(e) discuss circumstances in which amortised cost, fair value and hedge accounting are appropriate for financial instruments, the principles of these accounting methods and considerations in the determination of fair value;	<ul style="list-style-type: none"> <li>• Retirement benefits, including pension schemes – defined benefit schemes and defined contribute schemes, actuarial deficits and surpluses (IAS 19).</li> </ul>
	(f) discuss the recognition and valuation issues concerned with pension schemes (including the treatment of actuarial deficits and surpluses) and share-based payments.	<ul style="list-style-type: none"> <li>• Share-based payments (IFRS 2): types of transactions, measurement bases and accounting; determination of fair value.</li> </ul>



## F2 — C. ANALYSIS AND INTERPRETATION OF FINANCIAL ACCOUNTS (35%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. produce a ratio analysis from financial statements and supporting information.	(a) interpret a full range of accounting ratios;	<ul style="list-style-type: none"> <li>• Ratios in the areas of performance, profitability, financial adaptability, liquidity, activity, shareholder investment and financing, and their interpretation.</li> <li>• Calculation of Earnings per Share under IAS 33, to include the effect of bonus issues, rights issues and convertible stock.</li> <li>• The impact of financing structure, including use of leasing and short-term debt, on ratios, particularly gearing.</li> <li>• Limitations of ratio analysis (e.g. comparability of businesses and accounting policies).</li> </ul>
	(b) discuss the limitations of accounting ratio analysis and analysis based on financial statements.	
2. evaluate performance and position.	(a) analyse financial statements in the context of information provided in the accounts and corporate report;	<ul style="list-style-type: none"> <li>• Interpretation of financial statements via the analysis of the accounts and corporate reports.</li> <li>• The identification of information required to assess financial performance and the extent to which financial statements fail to provide such information.</li> <li>• Interpretation of financial obligations included in financial accounts (e.g. redeemable debt, earn-out arrangements, contingent liabilities).</li> <li>• Segment analysis: inter-firm and international comparison (IFRS 8).</li> <li>• The need to be aware of aggressive or unusual accounting policies ("creative accounting"), e.g. in the areas of cost capitalization and revenue recognition, and threats to the ethics of accountants from pressure to report "good results".</li> <li>• Reporting the results of analysis.</li> </ul>
	(b) evaluate performance and position based on analysis of financial statements;	
	(c) discuss segmental analysis, with inter-firm and international comparisons taking account of possible aggressive or unusual accounting policies and pressures on ethical behaviour;	
	(d) discuss the results of an analysis of financial statements and its limitations.	



## F2 – D. DEVELOPMENT IN EXTERNAL REPORTING (10%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss contemporary developments in financial and non-financial reporting.	(a) discuss pressures for extending the scope and quality of external reports to include prospective and non-financial matters, and narrative reporting generally;	<ul style="list-style-type: none"> <li>• Increasing stakeholder demands for information that goes beyond historical financial information and frameworks for such reporting, including, as an example of national requirements and guidelines, the UK's Business Review and the Accounting Standard Board's best practice standard, RS1, and the Global Reporting Initiative.</li> <li>• Environmental and social accounting issues, differentiating between externalities and costs internalised through, for example, capitalisation of environmental expenditure, recognition of future environmental costs by means of provisions, taxation and the costs of emissions permit trading schemes.</li> <li>• Non-financial measures of social and environmental impact.</li> <li>• Human resource accounting.</li> <li>• Major differences between IFRS and US GAAP, and progress towards convergence.</li> </ul>
	(b) explain how information concerning the interaction of a business with society and the natural environment can be communicated in the published accounts;	
	(c) discuss social and environmental issues which are likely to be most important to stakeholders in an organisation;	
	(d) explain the process of measuring, recording and disclosing the effect of exchanges between a business and society – human resource accounting;	
	(e) discuss major differences between IFRS and US GAAP, and the measures designed to contribute towards their convergence.	

### Reference Books:

1. CIMA Study Material for Paper F2.
2. Advanced Accounting, Andrew A. Haried, Leroy F. Imdieke, and Ralph E. Smith, John Wiley & Sons, Inc.
3. Advanced Financial Accounting, Richard E. Baker, Valdean C. Lembke, Thomas E. King, and Cynthia G. Jeffrey, McGraw – Hill
4. Corporate Financial Reporting, E. Richard Brownlee II, Kenneth R. Ferris, and Mark E. Haskins, McGraw – Hill
5. Practical Implementation-Guide and Workbook for IFRS, Abbas Ali Mirza, and Graham J. Holt, Wiley
6. Modern Advanced Accounting, E. John Larsen, McGraw – Hill





# **Strategic Level Papers**

This section sets out the detail syllabus for each of the four papers at the strategic level of the qualification. However, it is implicit in each case, that material included in the syllabus for any of the papers at the management or operational levels may also be relevant for the purposes of assessment.



## F2 – D. DEVELOPMENT IN EXTERNAL REPORTING (10%)

### PAPER R3

## FINANCIAL, COST AND MANAGEMENT AUDIT

#### Syllabus overview

Auditing is a very important paper for the professional accountants where they need to apply their professional judgments and skepticism towards real life application of accounting standards and norms. Reviewing the financial issues from an external auditor's perspective is an art which warrants a strong level of commitment and professional wisdom. Considering significance, this paper has been put at strategic level so that the students can expose their learning properly here. This paper covers topics like audit engagements, compliance with laws and regulations, appraise audit framework in line with international auditing guidelines, ethics of auditor, cost and management audit, audit report etc. It is expected that on completion of this paper students will be able to play the role of an expert auditor for their clients.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Financial Audit	50%
B	Cost and Management Audit	50%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## R3 – A. FINANCIAL AUDIT (50%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Understand the basics of financial audit	(a) analyze the background of financial audit; and	<ul style="list-style-type: none"> <li>• Meaning, Nature and Scope of Financial Audit</li> <li>• Objectives and Types of Financial Audit</li> <li>• Audit committee, internal audit and external audit</li> </ul>
	(b) understand the nature and scope of financial audit;	
2. Identify the regulatory and legal framework of financial audit	(a) understand the framework of audit engagement; and	<ul style="list-style-type: none"> <li>• International Framework for Assurance Engagements</li> <li>• Assurance Engagements Other Than Audit (ISAE 3000)</li> <li>• The Examination of Prospective Financial Information (ISAE 3400)</li> <li>• Legal provisions Under Companies Act, 1994:               <ul style="list-style-type: none"> <li>- Appointment of auditor</li> <li>- Qualification and disqualification of Auditor</li> <li>- Rights and Powers of auditors</li> <li>- Responsibilities and Duties of auditors</li> <li>- Qualification and Disqualification of auditors</li> <li>- Resignation and Removal of auditors</li> </ul> </li> <li>• Requirements under Financial Reporting Act, 2015</li> <li>• Bangladesh Standards on Auditing</li> <li>• Role of regulators like FRC, BSEC, ICAB etc.</li> </ul>
	(b) Identify the regulatory and legal issues relating to financial audit.	



3. Plan audit and review of financial statements	(a) Understand general principles and responsibilities of auditor;	<ul style="list-style-type: none"> <li>• Objectives and General Principles Governing an Audit of Financial Statements (BSA 200)</li> <li>• Terms of Audit Engagements (BSA 210)</li> <li>• Quality Control for an Audit of Financial Statements (BSA 220)</li> <li>• Audit Documentation (BSA 230)</li> <li>• The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements (BSA 240)</li> <li>• Consideration of Laws and Regulations in an Audit of Financial Statements (BSA 250)</li> </ul>
	(b) Assess the responses towards risks;	<ul style="list-style-type: none"> <li>• Communication of Audit Matters with those Charged with Governance (BSA 260)</li> <li>• Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (BSA 265)</li> <li>• Planning an Audit of Financial Statements (BSA 300)</li> <li>• Understanding and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (BSA 315)</li> <li>• Audit Materiality (BSA 320)</li> <li>• The Auditor's Responses to Assessed Risks (BSA 330)</li> </ul>
	(c) Evaluate and appraise internal control system;	<ul style="list-style-type: none"> <li>• Audit Considerations Relating to Entities Using Service Organizations (BSA 402)</li> <li>• Evaluation of Misstatements Identified during the Audit (BSA 450)</li> <li>• Audit Evidence (BSA 500)</li> <li>• Audit Evidence-Specific Considerations for Selected Items (BSA 501)</li> <li>• External Confirmations (BSA 505)</li> <li>• Initial Audit Engagements - Opening Balances (BSA 510)</li> </ul>
	(d) Utilize and validate audit evidence;	<ul style="list-style-type: none"> <li>• Analytical Procedures (BSA 520)</li> <li>• Audit Sampling and Other Means of Testing (BSA 530)</li> <li>• Audit of Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures (BSA 540)</li> <li>• Related Parties (BSA 550)</li> <li>• Subsequent Events (BSA 560)</li> <li>• Going Concern (BSA 570)</li> <li>• Written Representations (BSA 580)</li> </ul>
	(e) Use the work of others; and	<ul style="list-style-type: none"> <li>• Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors) (BSA 600)</li> <li>• Using the Work of Internal Auditors (BSA 610)</li> <li>• Using the Work of an Auditor's Expert (BSA 620)</li> <li>• Forming an Opinion and Reporting on Financial Statements (BSA 700)</li> <li>• Modifications to the Opinion in the Independent Auditor's Report (BSA 705)</li> <li>• Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report (BSA 706)</li> </ul>
	(f) Generate audit reports.	<ul style="list-style-type: none"> <li>• Comparative Information - Corresponding Figures and Comparative Financial Statements (BSA 710)</li> <li>• The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements (BSA 720)</li> <li>• Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks (BSA 800)</li> <li>• Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (BSA 805)</li> <li>• Engagements to Report on Summary Financial Statements (BSA 810)</li> </ul>



4. Understand the ethical guidelines of auditor	(a) Know the professional ethics required from auditor; and	<ul style="list-style-type: none"> <li>• Introduction and Fundamental Principles</li> <li>• Code of Professional Ethics for Profession Accountants in Public Practice</li> <li>• Code of Professional Ethics for Professional Accountant in Business</li> <li>• Penalty provisions under Financial Reporting Act, 2015</li> </ul>
	(b) Understand the implications of compromising with the code of professional ethics.	
5. Identify the auditors role in emerging areas	(a) Plan audit in computerized environment;	<ul style="list-style-type: none"> <li>• Auditing in IT Environment</li> <li>• Computer aided auditing technique (CAAT)</li> <li>• Detection and Prevention of Fraud</li> <li>• Audit independence</li> <li>• Constitutional provisions relating to audit</li> <li>• IFAC Guidelines for public sector audit</li> </ul>
	(b) Understand the liability of auditor in detecting fraud;	
	(c) Maintain audit independence while conducting audit; and	
	(d) Know public sector audit.	



## R3 – B. COST AND MANAGEMENT AUDIT (50%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. Understand the basics of cost audit	(a) analyze the background of cost audit; and	• Meaning, Nature and Scope of Cost Audit
		• Purpose and Objectives of Cost Audit
	(b) understand the nature and scope of cost audit.	• Concepts of Efficiency Audit, Value For Money (VFM) Audit, Performance Audit, Social Audit
		• Performance Audit, Social Audit
2. Identify different laws and legal provisions relating to cost audit	(a) understand the legal position of cost auditors; and	<ul style="list-style-type: none"> <li>• Under Companies Act, 1994:               <ul style="list-style-type: none"> <li>- Appointment of cost auditor</li> <li>- Qualification and disqualification of Cost Auditor</li> <li>- Relationship between cost audit and annual statutory audit</li> <li>- Rights and Powers of cost auditors</li> <li>- Responsibilities and Duties of cost auditors</li> <li>- Qualification and Disqualification of cost auditors</li> <li>- Resignation and Removal of cost auditors</li> </ul> </li> </ul>
	(b) Identify different legislations relating to cost audit;	<ul style="list-style-type: none"> <li>• Cost Audit (Report) Rules, 1997</li> <li>• Government Gazette Notification requiring Cost Audit</li> <li>• CMA Ordinance, 1977 (Ordinance No. LIII of 1977),</li> <li>• CMA Regulations, 1980 (and subsequent amendments)</li> <li>• Bangladesh Cost Accounting Standards</li> </ul>



3. Plan and execute cost audit independently	(a) plan before starting cost audit engagements;	<ul style="list-style-type: none"> <li>• Analyzing client's industry, organization, the production process systems and procedures, list of records and reposts</li> <li>• Preparation of the audit program</li> </ul>
	(b) identify, verify and analyze cost accounting records;	<ul style="list-style-type: none"> <li>• Verification of records and reports</li> <li>• Utilization of statistical sampling methods</li> <li>• Verification of performance and statements maintained under the cost Accounting (Records) Rules</li> </ul>
	(c) evaluate and appraise internal control system;	<ul style="list-style-type: none"> <li>• Evaluation of Internal Control Systems</li> <li>• Budgetary Control Capacity utilization</li> </ul>
	(d) assess risk; and	<ul style="list-style-type: none"> <li>• inventory control, purchase and payables sales and receivables ,</li> <li>• management information system</li> <li>• assessment of the adequacy of the internal audit function</li> <li>• Risk Assessment,</li> </ul>
	(e) prepare cost audit report within ethical framework.	<ul style="list-style-type: none"> <li>• Preparation Cost audit report, placement of the report before the Board of directors and Finalization</li> <li>• Professional ethics of a cost auditor</li> </ul>
4. Understand the basics of management audit	(a) analyze the background of management audit; and	<ul style="list-style-type: none"> <li>• Meaning, nature and scope of management audit</li> <li>• Needs for management audit and its coverage over and above other audit procedures</li> </ul>
	(b) understand the nature and scope of management audit.	<ul style="list-style-type: none"> <li>• Specific areas of management and operational audit involving review of internal control, purchasing operations, manufacturing operations, selling and distribution, personnel policies, systems and procedures</li> <li>• Aspects relating to concurrent audit</li> </ul>
5. Plan and execute management audit independently	(a) Plan management audit in detail in line with the client's requirements; and	<ul style="list-style-type: none"> <li>• Audit of the Management Processes and Functions, such as Planning, Organization, Staffing, Co-ordination, Communication, Direction and Control.</li> <li>• Evaluation of Management Information and Control Systems with special emphasis on Corporate Image and Behavioral Problems</li> </ul>
	(b) Identify peripheral requirements in management audit.	<ul style="list-style-type: none"> <li>• Auditing e-business, e-cash, e-payment, e-transactions</li> <li>• Corporate Development and Management Audit, including operational and propriety aspects</li> <li>• Audit of Social responsibility of management.</li> <li>• Corporate governance and Board</li> <li>• Audit Committee Functions</li> </ul>



### Reference Books:

1. ISA Issued by IAASB, IFAC
2. Bangladesh Standards on Auditing – ICAB
3. Code of Professional Ethics Issued by IAASB, IFAC
4. Code of Ethics issued by ICAB
5. Companies Act, 1994
6. Modern Auditing in Australia, Guadarshan Gill and G. Cosserat, John Wiley & Sons Australia Ltd.
7. IASB Hand Book
8. Contemporary Auditing, Kamal Gupta, Tata McGraw Hill Education.
9. Cost Audit and Management Audit, Dhruba Dutta Chowdhury, New Central Book Agency.
10. Constitution of the Government of Peoples Republic of Bangladesh, Part VI, Chapter-II,
11. Public Sector Accounting and Auditing- A comparison to international Standard by World Bank, May 2007
12. Study Materials- Financial, Cost and Management Audit- ICMAB.



## PAPER E3

### ENTERPRISE STRATEGY

#### Syllabus overview

Paper E3 continues the integration of skills across functions, but concentrates on developing the knowledge and skills used in designing and implementing strategy. Strategy is developed in a context, and understanding how the organisation's external environment and stakeholders affect strategy development is important. Context and the internal capabilities of the organisation shape the generation and evaluation of strategic options. Implementing strategy involves tools and techniques associated with change management. Finally, the paper requires the application of tools to assist in the evaluation of the performance implications of a given strategy.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Interacting with the Competitive Environment	20%
B	Change Management	20%
C	Evaluation of Strategic Options	30%
D	Implementation of Strategic Plans	30%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## E3 – A. INTERACTING WITH THE COMPETITIVE ENVIRONMENT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate the key external factors affecting an organisation's strategy.	(a) evaluate the impact and influence of the external environment on an organisation and its strategy;	<ul style="list-style-type: none"> <li>• Non-market strategy and forms of corporate political activity.</li> <li>• External demands for responsible business practices and ways to respond to these.</li> <li>• Stakeholder management (stakeholders to include government and regulatory agencies, non-governmental organizations and civil society, industry associations, customers and suppliers).</li> <li>• The customer portfolio: Customer analysis and behaviour, including the marketing audit and customer profitability analysis as well as customer retention and loyalty.</li> <li>• Strategic supply chain management.</li> <li>• Implications of these interactions for Chartered Management Accountants and the management accounting system.</li> </ul>
	(b) recommend approaches to business/government relations and to relations with civil society;	
	(c) discuss the drivers of external demands for corporate social responsibility and the organisation's response;	
	(d) recommend how to manage relationships with stakeholders;	
	(e) recommend how to interact with suppliers and customers.	
2. evaluate the impact of information systems on an organisation.	(a) evaluate the impact of the internet on an organisation and its strategy;	<ul style="list-style-type: none"> <li>• The impact of IT (including the internet) on an organization (utilising frameworks such as Porter's Five Forces, the Value Chain).</li> <li>• Competing through exploiting information (rather than technology), e. g. use of databases to identify potential customers or market segments, and the management of data (warehousing and mining).</li> <li>• Contemporary developments in the commercial use of the internet (e.g. Web 2.0).</li> </ul>
	(b) evaluate the strategic and competitive impact of information systems.	



## E3 – B. CHANGE MANAGEMENT (20%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. advise on important elements in the change process.	(a) discuss the concept of organisational change;	<ul style="list-style-type: none"> <li>• External and internal change triggers (e.g. environmental factors, mergers and acquisitions, re-organisation and rationalisation).</li> <li>• Stage models of change.</li> <li>• Problem identification as a precursor to change.</li> <li>• Cultural processes of change i.e. change within the context of the whole firm.</li> </ul>
	(b) recommend techniques to manage resistance to change.	
2. evaluate tools and methods for successfully implementing a change programme.	(a) evaluate approaches to managing change;	<ul style="list-style-type: none"> <li>• The importance of managing critical periods of discontinuous change.</li> <li>• Tools, techniques and models associated with organisational change.</li> <li>• Approaches, styles and strategies of change management.</li> <li>• Importance of adaptation and continuous change.</li> <li>• Leading change.</li> </ul>
	(b) compare and contrast continuous and discontinuous change;	
	(c) evaluate tools, techniques and strategies for managing the change process;	
	(d) evaluate the role of leadership in managing the change process.	
3. recommend change management processes in support of strategy implementation.	(a) evaluate the role of change management in the context of strategy implementation;	<ul style="list-style-type: none"> <li>• Change management and its role in the successful implementation of strategy.</li> <li>• The advantages and disadvantages of different styles of management on the successful implementation of strategy.</li> <li>• Group formation within organisation and its impact on change processes within organisations.</li> <li>• Business ethics in general and the CIMA Code of Ethics for Professional Accountants (Parts A and B) in the context of implementation of strategic plans.</li> </ul>
	(b) evaluate ethical issues and their resolution in the context of organisational change.	



## E3 – C. EVALUATION OF STRATEGIC POSITION AND STRATEGIC OPTIONS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate the process of strategy development.	(a) evaluate the process of strategy formulation;	<ul style="list-style-type: none"> <li>• Mission statements and their use in orientating the organisation's strategy.</li> <li>• The process of strategy formulation.</li> <li>• The identification and evaluation of strategic options.</li> <li>• Strategic options generation (e.g. using Ansoff's product/market matrix and Porter's generic strategies).</li> <li>• Real Options as a tool for strategic analysis. Note: Complex numerical questions will not be set.</li> <li>• Scenario planning and long range planning as tools in strategic decision-making.</li> <li>• Game theoretic approaches to strategic planning and decision-making. Note: Complex numerical questions will not be set.</li> <li>• Acquisition, divestment, rationalisation and relocations strategies and their place in the strategic plan.</li> <li>• The relationship between strategy and organisational structure.</li> <li>• The role and responsibilities of directors in making strategic decisions (including issues of due diligence, fiduciary responsibilities).</li> </ul>
	(b) evaluate strategic options;	
	(c) evaluate different organisational structures;	
	(d) discuss the role and responsibilities of directors in the strategy development process.	
2. evaluate tools and techniques used in strategy formulation.	(a) evaluate strategic analysis tools;	<ul style="list-style-type: none"> <li>• Audit of resources and the analysis of this for use in strategic decision-making.</li> <li>• Forecasting and the various techniques used: trend analysis, system modelling, in-depth consultation with experts (Delphi method).</li> <li>• Management of the product portfolio.</li> <li>• Value chain analysis.</li> <li>• Strategic decision-making processes.</li> </ul>
	(b) recommend appropriate changes to the product portfolio of an organisation to support the organisation's strategic goals;	
	(c) produce an organisation's value chain;	
	(d) discuss both qualitative and quantitative techniques in the support of the strategic decision making function.	



## E3 — D. IMPLEMENTATION OF STRATEGIC PLANS AND PERFORMANCE EVALUATION (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate the tools and processes of strategy implementation.	(a) recommend appropriate control measures;	<ul style="list-style-type: none"> <li>• Alternative models of performance measurement (e.g. the balanced scorecard).</li> <li>• Business unit performance and appraisal, including transfer pricing, reward systems and incentives.</li> </ul>
	(b) evaluate alternative models of performance measurement;	<ul style="list-style-type: none"> <li>• Project management: monitoring the implementation of plans.</li> <li>• The implementation of lean systems across an organisation.</li> <li>• Theories of control within organisations and types of organisational structure (e.g. matrix, divisional, network).</li> </ul>
	(c) recommend solutions to problems in performance measurement;	<ul style="list-style-type: none"> <li>• Assessing strategic performance (i.e. the use and development of appropriate measures that are sensitive to industry characteristics and environmental factors).</li> <li>• Non-financial measures and their interaction with financial ones. (Note: candidates will be expected to use both qualitative and quantitative techniques).</li> </ul>
	(d) advise managers on the development of strategies for knowledge management and information systems that support the organisation's strategic requirements;	<ul style="list-style-type: none"> <li>• The purpose and contents of information systems strategies, and the need for strategy complementary to the corporate and individual business strategies.</li> </ul>
	(e) recommend changes to information systems appropriate to the organisation's strategic requirements.	<ul style="list-style-type: none"> <li>• Critical success factors: links to performance indicators and corporate strategy, and their use as a basis for defining an organisation's information needs.</li> </ul>

### Reference Books:

1. CIMA Study Material for Paper E3.
2. Crafting and Executing Strategy – Concept and Cases, Arthur A. Thomson, Jr., A.J. Strickland III, John E. Gamble, and Arun K. Jain, Tata McGraw – Hill Publishing Company Limited.
3. Strategic Management, Gregory G. Dess, G. T. Lumpkin, Marilyn L. Taylor, McGraw – Hill.



## PAPER P3

### PERFORMANCE STRATEGY

#### Syllabus overview

Two key issues underpin Paper P3 – what risks does the organisation face and how can those risks be managed and controlled? The scope of the paper includes both financial and non-financial risks. The management strategies covered extend to the use of financial instruments, and more general strategies of risk identification and management, involving establishing and monitoring appropriate systems of internal control. With the growing importance of 'new' sources of risk, the paper pays particular attention to risks arising from governance, ethical and social/environmental issues.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Management Control Systems	10%
B	Risk and Internal Control	25%
C	Review and Audit of Control Systems	15%
D	Management of Financial Risk	35%
E	Risk and Control in Information Systems	15%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## P3 – A. MANAGEMENT CONTROL SYSTEMS (10%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate control systems for organisational activities and resources.	(a) evaluate appropriate control systems for the management of an organisation;	<ul style="list-style-type: none"> <li>• The ways in which systems are used to achieve control within the framework of an organisation (e.g. contracts of employment, policies and procedures, discipline and reward, reporting structures, performance appraisal and feedback).</li> </ul>
	(b) evaluate the appropriateness of an organisation's management accounting control systems;	<ul style="list-style-type: none"> <li>• The application of control systems and related theory to the design of management accounting control systems and information systems in general (i.e. control system components, primary and secondary feedback, positive and negative feedback, open and closed-loop control).</li> </ul>
	(c) evaluate the control of activities and resources within an organisation;	<ul style="list-style-type: none"> <li>• Structure and operation of management accounting control systems (e.g. identification of appropriate responsibility and control centres within the organisation, performance target setting, avoiding unintended behavioural consequences of using management accounting controls).</li> </ul>
	(d) recommend ways in which identified weaknesses or problems associated with control systems can be avoided or solved.	<ul style="list-style-type: none"> <li>• Variation in control needs and systems dependent on organisational structure (e.g. extent of centralisation versus divisionalisation, management through strategic business units).</li> <li>• Assessing how lean the management accounting system is (e.g. extent of the need for detailed costing, overhead allocation and budgeting, identification of non-value adding activities in the accounting function).</li> <li>• Cost of quality applied to the management accounting function and "getting things right first time".</li> </ul>



## P3 – B. RISK AND INTERNAL CONTROL (25%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate types of risk facing an organisation.	(a) discuss ways of identifying, measuring and assessing the types of risk facing an organisation, including the organisation's ability to bear such risks;	<ul style="list-style-type: none"> <li>• Types and sources of risk for business organisations: financial, commodity price, business (e.g. from fraud, employee malfeasance, litigation, contractual inadequacy, loss of product reputation), technological, external (e.g. economic and political), and corporate reputation (e.g. from environmental and social performance or health and safety) risks.</li> <li>• Fraud related to sources of finance (e.g. advance fee fraud and pyramid schemes).</li> <li>• Risks associated with international operations (e.g. from cultural variations and litigation risk, to loss of goods in transit and enhanced credit risk). (Note: No specific real country will be tested).</li> <li>• Quantification of risk exposures (impact if an adverse event occurs) and their expected values, taking account of likelihood.</li> <li>• Information required to fully report on risk exposures.</li> <li>• Risk map representation of risk exposures as a basis for reporting and analysing risks.</li> </ul>
	(b) evaluate risks facing an organisation.	



2. evaluate risk management strategies and internal controls.	(a) discuss the purposes and importance of internal control and risk management for an organisation;	<ul style="list-style-type: none"> <li>• Purposes and importance of internal control and risk management for an organisation.</li> <li>• Issues to be addressed in defining management's risk policy.</li> <li>• The principle of diversifying risk. (Note: Numerical questions will not be set).</li> <li>• Minimising the risk of fraud (e.g. fraud policy statements, effective recruitment policies and good internal controls, such as approval procedures and separation of functions, especially over procurement and cash).</li> <li>• The risk manager role (including as part of a set of roles) as distinct from that of internal auditor.</li> <li>• Purposes of internal control (e.g. safeguarding of shareholders' investment and company assets, facilitation of operational effectiveness and efficiency, contribution to the reliability of reporting).</li> <li>• Elements in internal control systems (e.g. control activities, information and communication processes, processes for ensuring continued effectiveness etc).</li> <li>• Operational features of internal control systems (e.g. embedding in company's operations, responsiveness to evolving risks, timely reporting to management).</li> <li>• The pervasive nature of internal control and the need for employee training.</li> <li>• Costs and benefits of maintaining the internal control system.</li> </ul>
	(b) evaluate risk management strategies;	
	(c) evaluate the essential features of internal control systems for identifying, assessing and managing risks;	
	(d) evaluate the costs and benefits of a particular internal control system.	
3. evaluate governance and ethical issues facing an organisation.	(a) discuss the principles of good corporate governance, particularly as regards the need for internal controls;	<ul style="list-style-type: none"> <li>• The principles of good corporate governance based on those for listed companies (the Combined Code), e.g. separation of chairman and CEO roles, appointment of non-executive directors, transparency of directors' remuneration policy, relations with shareholders, the audit committee. Other examples of recommended good practice may include The King Report on Corporate Governance for South Africa, Sarbanes-Oxley Act in the USA, The Smith and Higgs Reports in the UK, etc).</li> <li>• Recommendations for internal control (e.g. The Turnbull Report).</li> <li>• Ethical issues identified in the CIMA Code of Ethics for Professional Accountants, mechanisms for detection in practice and supporting compliance.</li> </ul>
	(b) evaluate ethical issues as a source of risk to the organisation and control mechanisms for their detection and resolution.	



## P3 — C. REVIEW AND AUDIT OF CONTROL SYSTEMS (15%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss the importance of management review of controls.	(a) discuss the importance of management review of controls.	<ul style="list-style-type: none"> <li>• The process of review (e.g. regular reporting to management on the effectiveness of internal controls over significant risks) and audit of internal controls.</li> <li>• Major tools available to assist with a review and audit process (e.g. audit planning, documenting systems, internal control questionnaires, sampling and testing).</li> </ul>
2. evaluate the process and purposes of audit in the context of internal control systems.	(a) evaluate the process of internal audit and its relationship to other forms of audit;	<ul style="list-style-type: none"> <li>• Role of the internal auditor and relationship of the internal audit to the external audit.</li> <li>• Relationship of internal audit to other forms of audit (e.g. value-for-money audit, management audit, social and environmental audit).</li> <li>• Operation of internal audit, the assessment of audit risk and the process of analytical review, including different types of benchmarking, their use and limitations.</li> <li>• Particular relevance of the fundamental principles in CIMA's Ethical Guidelines to the conduct of an impartial and effective review of internal controls.</li> <li>• Detection and investigation of fraud.</li> <li>• The nature of the external audit and its process, including the implications of internal audit findings for external audit procedures.</li> </ul>
	(b) produce a plan for the audit of various organisational activities including management, accounting and information systems;	
	(c) recommend action to avoid or solve problems associated with the audit of activities and systems;	
	(d) recommend action to improve the efficiency, effectiveness and control of activities;	
	(e) discuss the relationship between internal and external audit work.	
3. discuss corporate governance and ethical issues facing an organisation.	(a) discuss the principles of good corporate governance for listed companies, for conducting reviews of internal controls and reporting on compliance;	<ul style="list-style-type: none"> <li>• The principles of good corporate governance for listed companies, for the review of the internal control system and reporting on compliance.</li> <li>• Application of the CIMA Code of Ethics for Professional Accountants to the resolution of ethical conflicts in the context of discoveries made in the course of internal review, especially section 210.</li> </ul>
	(b) discuss the importance of exercising ethical principles in conducting and reporting on internal reviews.	



## P3 – D. MANAGEMENT OF FINANCIAL RISK (35%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate financial risks facing an organisation.	(a) evaluate financial risks facing an organisation.	<ul style="list-style-type: none"> <li>• Sources of financial risk, including those associated with international operations (e.g. hedging of foreign investment value) and trading (e.g. purchase prices and sales values).</li> <li>• Transaction, translation, economic and political risk.</li> <li>• Quantification of risk exposures, their sensitivities to changes in external conditions and their expected values.</li> </ul>
	(a) evaluate appropriate methods for managing financial risks;	<ul style="list-style-type: none"> <li>• Minimising political risk (e.g. gaining government funding, joint ventures, obtaining local finance).</li> <li>• Operation and features of the more common instruments for managing interest rate risk: swaps, forward rate agreements, futures and options. (Note: Numerical questions will not be set involving FRA's, futures or options. See the note below relating to the Black Scholes model).</li> <li>• Operation and features of the more common instruments for managing currency risk: swaps, forward contracts, money market hedges, futures and options. (Note: The Black Scholes option pricing model will not be tested numerically, however, an understanding of the variables which will influence the value of an option should be appreciated).</li> <li>• Simple graphs depicting cap, collar and floor interest rate options.</li> <li>• Theory and forecasting of exchange rates (e.g. interest rate parity, purchasing power parity and the Fisher effect).</li> <li>• Principles of valuation of financial instruments for management and financial reporting purposes (IAS 39), and controls to ensure that the appropriate accounting method is applied to a given instrument.</li> <li>• Quantification and disclosure of the sensitivity of financial instrument values to changes in external conditions.</li> <li>• Internal hedging techniques (e.g. netting and matching).</li> </ul>
2. evaluate alternative risk management tools.	(b) evaluate the effects of alternative methods of risk management;	
	(c) discuss exchange rate theory and the impact of differential inflation rates on forecast exchange rates;	
	(d) recommend risk management strategies and discuss their accounting implications.	



## P3 – E. RISK AND CONTROL IN INFORMATION SYSTEMS (15%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate the benefits and risks associated with information related systems.	(a) advise managers on the development of information management (IM), information systems (IS) and information technology (IT) strategies that support management and internal control requirements;	<ul style="list-style-type: none"> <li>• The importance and characteristics of information for organisations and the use of cost-benefit analysis to assess its value.</li> <li>• The purpose and content of IM, IS and IT strategies, and their role in performance management and internal control.</li> <li>• Data collection and IT systems that deliver information to different levels in the organisation (e.g. transaction processing, decision support and executive informative systems).</li> <li>• The potential ways of organising the IT function (e.g. the use of steering committees, support centres for advice and help desk facilities, end user participation).</li> <li>• The arguments for and against outsourcing.</li> <li>• Methods for securing systems and data back-up in case of systems failure and/or data loss.</li> <li>• Minimising the risk of computer-based fraud (e.g. access restriction, password protection, access logging and automatic generation of audit trail).</li> <li>• Risks in IS/IT systems: erroneous input, unauthorised usage, imported virus infection, unlicensed use of software, theft, corruption of software, etc.</li> <li>• Risks and benefits of Internet and Intranet use by an organisation.</li> <li>• The criteria for selecting outsourcing/facilities management partners and for managing ongoing relationships, service level agreements, discontinuation/change of supplier, hand-over considerations.</li> <li>• Controls which can be designed into an information system, particularly one using IT (e.g. security, integrity and contingency controls).</li> <li>• Control and audit of systems development and implementation.</li> <li>• Techniques available to assist audit in a computerised environment (computer-assisted audit techniques e.g. audit interrogation software).</li> </ul>
	(b) evaluate IS/IT systems appropriate to an organisation's needs for operational and control information;	
	(c) evaluate benefits and risks in the structuring and organisation of the IS/IT function and its integration with the rest of the business;	
	(d) recommend improvements to the control of IS;	
	(e) evaluate specific problems and opportunities associated with the audit and control of systems which use IT.	

### Reference Books:

1. CIMA Study Material for Paper P3.
2. Principles of Corporate Finance, Richard A. Brealey, Stewart C Myers, Franklin Allen, and Pitabas Mohanty, Tata McGraw – Hill Publishing Company Limited.
3. Financial Management – Text and Cases, Eugene F. Brigham and Michael C. Ehrhardt, South-Western Cengage Learning.
4. Principles of Managerial Finance, Lawrence J. Gitman, Pearson.
5. Financial Management Policy, James C. Van Horne, Prentice – Hall of India Private Limited.
6. Contemporary Auditing, Kamal Gupta, Tata McGraw – Hill Publishing Company Limited.
7. Management Information Systems, Kenneth C. Laudon and Jane P. Laudon, Pearson.
8. Auditing - An International Approach, Wally J. Smieliauskas and Jack C. Robertson, McGraw-Hill Ryerson



## PAPER F3

### FINANCIAL STRATEGY

#### Syllabus overview

Paper F3 deals with the key elements in designing and managing the organisation's financial strategy, in the context of contributing to achieving the organisation's objectives and within its external constraints, such as the general regulatory and investment environment. The features and implications of the full range of major financing instruments are covered. A broad range of types of investment decision is also covered and it is recognised throughout that such decisions need to take account of broader strategic issues as well the financial analysis.

#### Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topic	Weight (%)
A	Formulation of Financial Strategy	25%
B	Financing Decisions	30%
C	Investment Decisions and Project Control	45%

#### Assessment

There will be a written examination paper of three hours. The examination paper will assess the skills of examinee in a holistic manner. All the four skills (leadership, business acumen, technical and people) will be tested. All the questions are required to be attempted. There will be scenario based questions along with some essay type questions so that the examinee can demonstrate all the skills to the satisfaction of the markers.



## F3 – A. FORMULATION OF FINANCIAL STRATEGY (25%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. discuss potential strategic financial objectives, and the relationships among and constraints on the elements of financial strategy.	(a) discuss the potential strategic financial objectives of an organisation;	<ul style="list-style-type: none"> <li>• The financial and non-financial objectives of different organisations (e.g. value for money, maximizing shareholder wealth, providing a surplus).</li> <li>• The three key decisions of financial management (investment, financing and dividend) and their links.</li> </ul>
	(b) discuss the interrelationships between decisions concerning investment, financing and dividends;	<ul style="list-style-type: none"> <li>• Benefits of matching characteristics of investment and financing in the longer term, (e.g. in cross-border investment) and in short-term hedging strategies.</li> <li>• Considerations in the formulation of dividend policy and dividend decisions, including meeting the cash needs of the business.</li> </ul>
	(c) discuss the impact of internal and external constraints on financial strategy, including the impact of regulation on business combinations.	<ul style="list-style-type: none"> <li>• External constraints on financial strategy (e.g. funding, regulatory bodies, investor relations, strategy, and economic factors).</li> <li>• Developing financial strategy in the context of regulatory requirements (e.g. price and service controls exercised by industry regulators) and international operations.</li> <li>• The implications of regulation for business combinations. (Note: Detailed knowledge of the City Code and EU competition rules will not be tested).</li> </ul>
2. evaluate the strategic financial strategies and objectives of an organisation and the extent of their attainment.	(a) identify an organisation's objectives in financial terms;	<ul style="list-style-type: none"> <li>• The financial objectives of an organisation and economic forces affecting its financial plans (e.g. interest, inflation and exchange rates).</li> <li>• Assessing attainment of financial objectives.</li> </ul>
	(b) evaluate the attainment of an organisation's financial objectives;	<ul style="list-style-type: none"> <li>• Use of financial analysis in the external assessment of a company (e.g. in assessing creditworthiness and compliance with financing covenants).</li> <li>• Modelling and forecasting cash flows and financial statements based on expected values for economic variables (e.g. interest rates) and business variables (e.g. volume and margins) over a number of years.</li> </ul>
	(c) evaluate current and forecast performance taking account of potential variations in economic and business factors;	<ul style="list-style-type: none"> <li>• Analysis of sensitivity to changes in expected values in the above models and forecasts.</li> <li>• Assessing the implications for shareholder value of alternative financial strategies, including dividend policy. (Note: Modigliani and Miller's theory of dividend irrelevancy will be tested in broad terms. The mathematical proof of the model will not be required, but some understanding of the graphical method is expected).</li> </ul>
	(d) evaluate alternative financial strategies for an organisation taking account of external assessment of the organisation by financiers and other stakeholders, including likely changes to such assessment in the light of developments in reporting.	<ul style="list-style-type: none"> <li>• The lender's assessment of creditworthiness.</li> <li>• Current and emerging issues in financial reporting (e.g. proposals to amend or introduce new accounting standards) and in other forms of external reporting (e.g. environmental accounting).</li> </ul>



## F3 – B. FINANCING DECISIONS (30%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate the financing requirements of an organisation and strategies for meeting those requirements.	(a) analyse the short- and long-term financing requirements of an organisation;	<ul style="list-style-type: none"> <li>Identifying financing requirements (both in respect of domestic and international operations) and the impacts of different types of finance on models and forecasts of performance and position.</li> <li>Working capital management strategies. (Note: No detailed testing of cash and stock management models will be set since these are covered at a lower level within the syllabus).</li> </ul>
	(b) evaluate alternative methods of meeting financing requirements, taking account of the implications for the organisation's financial statements, its tax position and financial stakeholders;	<ul style="list-style-type: none"> <li>Types and features of domestic and international long-term finance: share capital (ordinary and preference shares, warrants), long-term debt (bank borrowing and forms of securitised debt, e.g. convertibles) and finance leases, and methods of issuing securities.</li> </ul>
	(c) evaluate the weighted average cost of capital of an organisation;	<ul style="list-style-type: none"> <li>The operation of stock exchanges (e.g. how share prices are determined, what causes share prices to rise or fall, and the efficient market hypothesis). (Note: No detailed knowledge of any specific country's stock exchange will be tested).</li> </ul>
	(d) recommend methods of funding specific investments, taking account of basic tax considerations and risk exposures (to interest and currency exchange rate fluctuations);	<ul style="list-style-type: none"> <li>The impact of changing capital structure on the market value of a company. (Note: An understanding of Modigliani and Miller's theory of gearing, with and without taxes, will be expected, but proof of their theory will not be examined).</li> </ul>
	(e) recommend optimal strategies for the management of working capital and satisfaction of longer term financing requirements.	<ul style="list-style-type: none"> <li>The capital asset pricing model (CAPM): calculation of the cost of equity using the dividend growth model (knowledge of methods of calculating and estimating dividend growth will be expected), the ability to gear and un-gear betas and comparison to the arbitrage pricing model.</li> </ul>
2. discuss the treasury function.	(a) discuss the role and management of the treasury function.	<ul style="list-style-type: none"> <li>The ideas of diversifiable risk (unsystematic risk) and systematic risk. (Note: use of the two-asset portfolio formula will not be tested).</li> <li>The cost of redeemable and irredeemable debt, including the tax shield on debt.</li> <li>The weighted average cost of capital (WACC): calculation, interpretation and uses.</li> <li>The lease or buy decision (with both operating and finance leases).</li> <li>Criteria for selecting sources of finance, including finance for international investments.</li> <li>The effect of financing decisions on balance sheet structure and on ratios of interest to investors and other financiers (gearing, earnings per share, price-earnings ratio, dividend yield, dividend cover gearing, interest cover).</li> <li>The role of the treasury function in terms of setting corporate objectives, liquidity management, funding management, and currency management.</li> <li>The advantages and disadvantages of establishing treasury departments as profit centres or cost centres, and their control.</li> </ul>



## F3 — C. INVESTMENT DECISIONS AND PROJECT CONTROL (45%)

Learning outcomes On completion of their studies students should be able to		Indicative syllabus content
Lead	Component	
1. evaluate investment choices.	(a) analyse relevant costs, benefits and risks of an investment project;	<ul style="list-style-type: none"> <li>• Identification of a project's relevant costs (e.g. infrastructure, marketing and human resource development needs), benefits (including incremental effects on other activities as well as direct cash flows) and risks (i.e. financial and non-financial, including reputation risk arising from ethical considerations and risks of legal change or uncertainty).</li> <li>• Linking investments with customer requirements and product/service design.</li> <li>• Linking investment in IS/IT with strategic, operational and control needs (particularly where risks and benefits are difficult to quantify).</li> </ul>
	(b) evaluate investment projects (domestic and international), including their financial and strategic implications, taking account of potential variations in business and economic factors;	<ul style="list-style-type: none"> <li>• Calculation of a project's net present value and internal rate of return, including techniques for dealing with cash flows denominated in a foreign currency and use of the weighted average cost of capital.</li> <li>• The modified internal rate of return based on a project's "terminal value" (reflecting an assumed reinvestment rate).</li> <li>• The effects of taxation (including foreign direct and withholding taxes), potential changes in economic factors (inflation, interest and exchange rates) and potential restrictions on remittances on these calculations.</li> </ul>
	(c) evaluate potential investments in organisations of different types and intangible assets;	<ul style="list-style-type: none"> <li>• Recognising risk using the certainty equivalent method (when given a risk free rate and certainty equivalent values).</li> <li>• Adjusted present value. (Note: The two step method may be tested for debt introduced permanently and debt in place for the duration of the project).</li> <li>• Valuation bases for assets (e.g. historic cost, replacement cost and realisable value), earnings (e.g. price/earnings multiples and earnings yield) and cash flows (e.g. discounted cash flow, dividend yield and the dividend growth model).</li> <li>• The strengths and weaknesses of each valuation method and when each is most suitable, e.g. by reference to type of investee organisation (service, capital intensive etc).</li> <li>• Forms of intangible asset (including intellectual property rights, brands etc). and methods of valuation.</li> </ul>
	(d) recommend investment choice in the presence of capital rationing and/or real options.	<ul style="list-style-type: none"> <li>• Application of the efficient market hypothesis to business valuations.</li> <li>• Selection of an appropriate cost of capital for use in valuation.</li> <li>• Capital investment real options (i.e. to make follow-on investment, abandon or wait).</li> <li>• Single period capital rationing for divisible and non-divisible projects. (Note: Multi-period rationing will not be tested).</li> </ul>



2. Evaluate discuss opportunities for merger, acquisition and divestment.	(a) evaluate the financial and strategic implications of proposals for mergers and acquisitions, including their terms, post-transaction values and processes, and exit strategies;	<ul style="list-style-type: none"> <li>• Recognition of the interests of different stakeholder groups in mergers, acquisitions and company valuations.</li> <li>• The reasons for merger or acquisitions (e.g. synergistic benefits).</li> <li>• Forms of consideration and terms for acquisitions (e.g. cash, shares, convertibles and earn-out arrangements), and their financial effects.</li> <li>• The post-merger or post-acquisition integration process (e.g. management transfer and merger of systems).</li> <li>• The function/role of management buy-outs and venture capitalists.</li> <li>• Types of exit strategy and their implications.</li> <li>• The reasons for (e.g. strategic change, opportunity cost of investment) and mechanisms of demerger or divestment.</li> </ul>
	(b) evaluate the financial and strategic implications of demergers and divestments.	
3. evaluate procedures for investment projects.	(a) evaluate procedures for the implementation and control of investment projects.	<ul style="list-style-type: none"> <li>• Project implementation and control in the conceptual stage, the development stage, the construction stage and initial manufacturing/operating stage.</li> <li>• Post completion audit of investment projects.</li> </ul>

### Reference Books:

1. CIMA Study Material for Paper F3.
2. Finance in a Canadian Setting, Peter Lusztig, W. Sean Clearing and Bernhard H. Schwab, John Wiley & Sons Canada, Ltd.
3. Financial Management - A Strategic Perspective, Nikhil C. Shil and Bhagaban Das, SAGE Publications India.
4. Investment Analysis and Portfolio Management, Frank K. Reilly and Keith C. Brown, South-Western CENGAGE Learning.



# INTERNSHIP AND RESEARCH

Internship program is a special program in ICMA which caters to make a bridge between theory, research and practice in an aspiring candidate who is prompting to be a cost and management accountant. Considering the significance of practice based research along with academic excellence, the ICMA has inserted a research component in its curriculum to bring a holistic approach in imparting professional education, training, and knowledge during studentship. Usually, an incumbent who has passed all the papers up to strategic level is advised to enroll for a three months long internship program in any firms where he can reciprocate his theoretical knowledge with practical aspects and can demonstrate the same in the form of a research report. However, students who have passed all the papers up to management level may enroll for internship and research program at his/her discretion.

On completion of internship and research program, every internee is required to submit a report which should demonstrate the application of different cost and management accounting tools in practical scenario. Such report should be submitted to the satisfaction of the supervisor with the institute. The incumbent is required to produce his analysis and findings before the Defense Board formed for this purpose and on their satisfaction, the board will award credit to the course 'Internship and Research'. Students are advised to follow the guidelines prepared for the program which is available at the Examination Department of ICMA.





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