NOTES: Text that should be deleted from the outline is displayed with a line through the text. New text is shown with a blue background.

Preparing for and Taking the CMA Exam

Pages 14-15: This update reflects a change made by the ICMA to discontinue the use of spreadsheets for answering quantitative questions on the CMA exam.

ESSAY QUESTIONS

Each part of the CMA exam contains two essays. You have at least 1 hour to complete both. If you finish your multiple-choice questions section in less than 3 hours, your remaining time will be carried over to the essay section and added to the standard 1-hour allocation. Essay questions that require a purely written answer will have a box in which to type your response. For certain problems that require quantitative responses, you will be able to use a spreadsheet tool to present your calculations. Complete instructions and the ICMA's recommendations regarding the use of the spreadsheet function can be found at www.prometric.com/ICMA/demo.htm.

The following example shows a typical essay question that does not require a quantitative answer.

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**Question 6 of 8**

**Text Entry**

**Part 1 Financial Planning, Performance and Control**

**Time Remaining: 00:37:45**

Voninc Inc.'s president has projected sales of 10,000,000 units of its only product for the coming year at an anticipated selling price of $22 per unit. Voninc expects a beginning finished goods inventory of 100,000 units with a cost of $2,000,000, and an ending finished goods inventory of 150,000 units. The company uses a just-in-time purchasing system and anticipates no beginning or ending inventory of materials. Each unit of finished goods is budgeted to incur three pounds of material at an anticipated cost of $4.00 per pound as well as 25 hours of direct labor at an estimated cost of $20.00 per hour. Manufacturing overhead will be applied at the budgeted rate of $2.00 per direct labor hour for variable overhead and $3.00 per direct labor hour for fixed overhead. The company anticipates variable selling and administrative costs of $1.00 per unit sold and fixed selling and administrative costs of $1,500,000. After the president discussed the sales budget with the sales manager, the budgeted sales volume for the coming year was decreased by 1,000,000 units due to the sales manager’s strong opinion that the original budget was unattainable.

Prepare the following for Voninc Inc. for the coming year. Show your calculations.

a. Production budget in units.

b. Cost of goods sold budget.
1. Question Number: The question number indicates which question the candidate is answering out of the total questions in both scenarios.

2. Time Remaining: This information box displays to the candidate how long (s)he has remaining to complete and review the essays. Consistently check the amount of time remaining in order to stay on schedule.

3. Scenario: This section displays the content of the current essay’s scenario.

4. Question: This section displays the content of the current question the candidate is answering.

5. Answer Box: This area is where the candidate types in his/her response to the current question.

6. Word Processing Tools: These icons, when selected, enable the candidate to cut, copy, paste, and save the content of his/her response (much like a standard word processing program).

7. Calculator: The calculator provided is a basic tool for simple computations. It is similar to calculators used in common software programs.

8. Time Value Tables: This function allows the examinee to access Present/Future Time Value Tables as needed.

9. Previous: This navigation button allows the candidate to move back to the previous question.

10. Next: This navigation button allows the candidate to move ahead to the next question.

11. Mark: This button allows the candidate to mark a question for later review.

12. Review: Clicking this button takes the candidate to the Review screen, which contains a scrollable listing of all the question numbers and indicates if the question has been marked for review, completed, or skipped.

The following example shows a typical essay question that requires a quantitative answer. Note that many of the buttons and functions are the same as in the non-quantitative questions; these have not been explained again below.
1. **CMA Spreadsheet**: This is the area where the candidate types in his/her response to a question that requires computations. Remember that the CMA spreadsheet is NOT Excel. Therefore, even candidates who are extremely proficient in Excel need to practice with the CMA spreadsheets.

2. **Spreadsheet Instructions**: The spreadsheet instructions detail the different functions and tools available in the CMA spreadsheet.

3. **Scenario**: Clicking this button opens a pop-up window (see [3a]) that shows the content of the current essay's scenario.

Study Unit 6 – Budget Methodologies and Budget Preparation

Page 225, Subunit 6.10, 1.a.2): This edit removes debt-ratio from the list of observations obtained from a pro forma income statement.

6.10 PRO FORMA FINANCIAL STATEMENTS

1. **Pro Forma Statement of Income**
   a. **Pro forma** is a Latin phrase meaning literally “according to form.” It can be loosely translated “as if.” Financial statements are referred to as pro forma when they reflect projected, rather than actual, results.

   1) The pro forma income statement is used to decide whether the budgeted activities will result in an acceptable level of income. If the initial pro forma income shows a loss or an unacceptable level of income, adjustments can be made to the component parts of the master budget.

   2) Other strategic objectives can also be observed from the pro forma income statement, such as desired rates of return, a target debt ratio, gross margin percentage and the interest coverage ratio (times interest earned). The adequacy of earnings per share can also be observed from the pro forma income statement.