



**Certified  
Management  
Accountants™**

**2012  
UNIVERSITY COURSE REQUIREMENT  
FOR  
ENTRY TO THE CMA PROGRAM**

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## Introduction

Certified Management Accountants (CMAs) are professionals who contribute to the greater public good through the efficient and effective utilization of financial and non-financial resources. Each member possesses a unique blend of expertise in the interrelated areas of accounting, management and strategy – the three pillars of the profession. Integration across these three dimensions defines the differentiated territory for CMAs as strategic management accounting professionals.

Consistent with this wide scope, the competencies that support the CMA role are diverse in comparison with other accounting designations, and often highly specific to the context in which the CMA practices.

As individuals who ensure sound business practices in their organizations, CMAs play a pivotal role in ensuring that their organizations are sustainable. In a series of discussion papers, the Professional Accountants in Business (PAIB) group within IFAC connected business accounting with sustainability through four key roles:

Creating Value: The creation of strategic documents and structures that set the course for the delivery of sustainable value.

Enabling Value: The planning, monitoring and improvement of operating processes that fulfill an organization's sustainable value strategy.

Preserving Value: The protection of a sustainable value strategy against strategic and operational risks.

Reporting Value: The transparent communication of the delivery of sustainable value to stakeholders and the general public.

The CMA Competency Map is divided according to these four categories. Each section contains the functional and enabling competencies that typify the work of the CMA in fulfilling each of these roles.

This syllabus has translated the CMA Competency Map into a format that is intended for educational stakeholders who create training programs for CMA candidates. This syllabus is also for candidates who need to make specific decisions about coursework.

## Cognitive Skill Level

There are two levels of cognitive skills, based on Bloom's Revised Taxonomy of Educational Objectives, that are tested on the Entrance Exam. They are specified as follows:

1. **Remembering and Understanding (R/U)** — This is the most basic level of learning and requires the recognition and recall of basic facts, as well as a demonstration that the material is understood.
2. **Application and Analysis (A/A)** — This level involves the use of remembering and understanding. After learning rules, principles and quantitative methods, this knowledge is applied to problem situations. This level implicitly involves the ability to make choices through the application of relevant decision criteria and make recommendations regarding appropriate courses of action.

R/U	A/A
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The required cognitive skill levels are indicated by checkmarks in the appropriate columns to the right of each topic and/or subtopic.

### Remembering and Understanding

Beyond the verbs *remember* and *understand* this category also includes verbs like *discuss*, *explain*, *interpret* and *describe*.

#### *Examples:*

Describe the benefits to using time value of money.  
Explain what gross margin is.

### Application and Analysis

Beyond the verbs *apply* and *analyze*, this category also includes verbs like *calculate*, *use*, *compare*, *perform* and *compute*.

#### *Examples:*

Using time value of money, calculate the value of a bond ten years from now.  
Calculate ABC Company's gross margin and compare with industry benchmarks.



**Special Topics**

- Understand competition law and environmental law
- Understand international business law

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# Corporate Finance

## Overview

Whatever the size of the organization, employers expect management accountants to understand corporate finance in order to assume a variety of roles. Management accountants create value by assessing the relative merits of investment options and their impact on an organization. Management accountants preserve value by analyzing and evaluating an organization’s financial risk management giving consideration to both the short-term and long-term impacts and then making appropriate recommendations.

### Scope and Environment of Financial Management

#### Introduction to Corporate Finance

- Understand the forms of business organizations
- Understand the role of financial managers
- Understand the goals of financial management
- Understand how to manage conflicts amongst stakeholders
- Understand the agency problem and control of the organization
- Understand shareholder and creditor rights

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#### Financial Markets and Institutions

- Understand the various sources of financing (public, private, debt, equity)
- Understand the purpose, features and merits of financing vehicles (loans, working capital, venture capital, money markets, notes, debentures, bonds, stock, leases) and calculate return/yield
- Understand the types of financial markets (primary and secondary, money, capital, intermediate- and long-term debt, international)
- Understand the concept of market efficiency
- Understand the meaning, role and market of derivatives

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#### Risk and Rates of Return

- Understand valuation of risk in financial markets and the investor risk-return trade-off
- Understand the financial risks associated with various types of investments (direct investment, outsourcing, strategic alliance, merger, acquisition)
- Calculate expected return on an investment
- Apply common statistical measures of risk: sensitivity analysis and probability distribution
- Understand covariance, variance and standard deviation
- Understand portfolio concepts: portfolio theory, covariance, correlation, diversification, portfolio risk, systematic and unsystematic risk
- Calculate return on portfolio investment
- Apply the capital asset pricing model, individual security risk, beta, risk free rate, market risk premium and security market line

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- Understand foreign exchange risk, interest rate risk, transaction risk and economic risk
- Understand hedging strategies to manage risk

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**Valuation**

**Time Value of Money**

- Understand economic opportunity cost
- Calculate present values, future values, annuities and perpetuities under various conditions
- Apply effective annual rate and annual percentage rate
- Understand real vs nominal rates, and the impact of inflation on the time value of money

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**Valuing Stocks and Bonds**

- Calculate bond values
- Calculate preferred share values
- Understand the yield curve and theories explaining its shape
- Calculate the value of a common stock (dividend growth model and CAPM model)

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**Cost of Capital**

- Understand concept of cost of capital and its uses
- Calculate the cost of debt, cost of preferred equity and cost of common equity using dividend growth model or capital asset pricing model
- Calculate the weighted average cost of capital (WACC)
- Understand the impact of flotation costs on WACC

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**Capital Budgeting**

- Understand capital budgeting motivations and process
- Calculate net present value with the appropriate discount rate
- Apply other capital budgeting methods (internal rate of return, payback period, profitability index)
- Perform project analysis and evaluation (forecasting risk, risk-adjusted discount rate, scenario and what-if analysis and simulation)
- Apply a project selection process with limited funds (capital rationing)
- Understand international capital budgeting considerations

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**Financial Planning and Dividend Policy Decisions**

**Financial Analysis, Forecasting and Planning**

- Use various techniques for analyzing financial statements (vertical and horizontal analysis, ratios, benchmarking and trends)
- Forecast cash flows and plan short- and long-term sources and uses of funds
- Develop pro-forma financial statements

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**Short- and Intermediate-Term Financial Planning and Management**

- Understand the relationships between liquidity and return
- Understand the principles of managing working capital (cash, accounts receivable, inventory, accounts payable and short-term loans)

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- Calculate the effective cost of sources of short-term financing (providing or taking early payment discounts, banks loans, notes payable)

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**Long-Term Investing and Financing Decisions**

- Understand the process of going public
- Understand the differences between debt, preferred and common shares
- Analyze key features of debt (tax implications, rights and risks, ratings, impact of interest rate changes on yields and prices)
- Analyze key features of equity (tax implications, rights and risks, related concepts including rights, convertibility and warrants)
- Understand the categories of leases and reasons for leasing, and apply discounted cash flow concepts to leasing decisions
- Calculate the net advantage to leasing

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**Financial Leverage, Risk Management and Capital Structure Policy**

- Understand the optimal capital structure and impact of capital structure on cost of capital, return on equity and return on assets
- Analyze operating leverage/business risk, financial leverage/financial risk, total leverage and impact on earnings per share
- Understand implications of financial distress on the cost of capital

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**Dividend Policy**

- Understand the development of dividend policy: types of payout policy, factors to consider, high vs low payout, financial risk
- Understand different dividend payments: (cash, property) and procedures involved (date of declaration, date of record, date of payment)
- Understand the distribution of excess cash (stock repurchase, cash dividends)
- Understand Information Signalling Theory and Clientele Effect

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**Special Topics in Corporate Finance**

**Business Investments, Mergers and Acquisitions**

- Understand the different types of investment (direct investment, outsourcing, strategic alliance, merger, acquisition, joint venture) and associated risks, including international aspects
- Understand for each type of investment: legal forms, methods, classifications, motives, impact on share market value
- Understand financial considerations of mergers and acquisitions
- Understand defensive strategies against takeovers (poison pill, white knight)

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**Business Valuation**

- Understand the different sources of acquisition synergy
- Understand principles and underlying factors of business valuations
- Calculate the value of a business using the free cash flow model (DCF), net book value and earnings multiples methods

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**International Considerations in Corporate Finance**

- Understand the multinational company and its environment (trade agreements, international trade theory, business forms, taxes, financial markets, international trade organizations)
- Understand foreign exchange markets, exchange rates, purchasing power parity, interest rate parity, international Fisher effect
- Understand exchange rate risks (short-run exposure, long-run/economic exposure, translation/accounting exposure)
- Understand political risks on capital flows and interest rates
- Understand exporting, importing and countertrade
- Understand other factors influencing long-term investments (foreign direct investment, joint ventures and strategic alliance), capital budgeting decisions, short- and long-term financing, and capital structure of multinational companies
- Understand domestic vs international sources of capital

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# Economics

## Overview

Both macro- and microeconomics play a role in business decisions and strategy formulation. Whether formulating strategy at the functional, business or corporate level, management accountants must have a basic understanding of economics and the impact it has on business.

### Microeconomics

#### What is Economics?

- Understand the Economic Problem
- Understand the principles of economics and economic models

#### Supply and Demand I: How Markets Work

- Understand the market forces of supply and demand
- Understand elasticity and its application
- Understand market efficiency and equity

#### Supply and Demand II: Markets and Welfare

- Understand consumers, producers, and the efficiency of markets
- Understand economic inequality
- Understand the costs of taxation

#### Organizational Behaviour and the Organization of Industry

- Understand organizing production, and the output and costs of production
- Understand competitive markets and perfect competition
- Understand monopoly, oligopoly and monopolistic competition

#### Market Failure and Government

- Understand competition policy
- Understand the relationship between supply, demand and government policies
- Understand public goods and common resources

#### Other Topics

- Understand the theory of consumer choice
- Understand international economic trade

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**Macroeconomics**

**The Data of Macroeconomics**

- Understand key macroeconomic variables
- Understand basic macroeconomic relationships
- Understand how to measure a nation’s income and output
- Understand measures of the cost of living

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**The Real Economy in the Long Run**

- Understand production and economic growth
- Understand saving, investment and the financial system
- Understand unemployment and its natural rate
- Understand established and new theories of economic growth
- Understand fiscal policy

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**Money and Prices in the Long Run**

- Understand the monetary system (money supply, banking, interest rates)
- Understand money growth and inflation
- Understand monetary equilibrium and forces
- Understand monetary policy

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**The Macroeconomics of Open Economies**

- Understand the basic concepts of open-economy macroeconomics

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**Short-run Economic Fluctuations**

- Understand short-run macro model
- Understand aggregate demand and aggregate supply
- Understand the influence of monetary and fiscal policy on aggregate demand
- Understand the short-run trade-off between inflation and unemployment

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**Canada and the Global Economy**

- Understand international trade gains and determination of trade patterns
- Understand trade policies including free trade and protectionism
- Understand balance of payments, foreign exchange market and determination of exchange rates

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# Financial Accounting

## (Introductory, Intermediate, Advanced)

### Overview

The fundamental purpose of accounting is to provide information for decision making. Management accounting is oriented toward helping managers and others *inside* the enterprise by supporting the planning, control and evaluation cycle. Financial accounting, on the other hand, focuses on the needs of *external* users (shareholders, creditors and regulatory agencies).

Profit-oriented, not-for-profit and government organizations employ management accountants fully expecting them to be able to report value by ensuring that accepted methods and requirements are applied in the construction of financial statements. Not only do management accountants need to understand complex accounting standards, regulations and requirements, but they also need to be able to evaluate financial statements, report pertinent analytics and disseminate their relevance to management decision making.

#### *For the 2012 Entrance Exams*

Candidates will be expected to appropriately apply accounting standards in accordance with International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprise (ASPE) or Accounting Standards for Not-for-Profit Organizations as of January 1, 2011. This includes IFRS standards that are issued but not yet effective.

Financial reporting questions on the Entrance Exam will indicate, as necessary, which set of standards the candidate should apply.

There are several standards that a professional accountant should have familiarity with but will not be tested on the entrance exam. To further assist candidates in preparing for the entrance exam, this list of non-tested standards include:

#### Part I – Accounting Handbook

IFRS 1: First-time adoption of IFRS

IFRS 4: Insurance Contracts

IFRS 6: Exploration for and Evaluation of Mineral Resources

IAS 29: Financial Reporting in Hyperinflationary Economies

IAS 41: Agriculture

#### Part II – Accounting Handbook

3800: Government Assistance

3805: Investment Tax Credits

3841: Economic Dependence

Candidates will not be expected to have knowledge of exposure drafts, International Financial Reporting Interpretations Committee (IFRIC) updates nor Standing Interpretations Committee (SIC) updates, except as specifically listed in the Entrance Exam Syllabus.

By reviewing the 2012 Entrance Exam Syllabus, the IFRS Bridging Manual and the 2012 Sample Entrance Exam candidates will gain an understanding of the scope of knowledge expected for the 2012 Entrance Exams.

**Introduction to Accounting**

- Understand accounting information systems
- Apply accounting principles, professional judgment and ethics in accounting
- Apply the difference between accrual accounting vs cash accounting
- Understand the regulatory framework of standard setting (IFRS and ASPE)
- Understand internal control and cash (bank reconciliation, control over cash receipts and disbursements)

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**Conceptual Framework Underlying Financial Reporting**

- Understand financial statement users and their broad needs, standard setting and requirement for accountability
- Apply basic objectives and fundamental accounting concepts and principles (qualitative characteristics of accounting information, basic elements)

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**Financial Statements – Process, Design and Preparation**

- Understand the accounting cycle
- Prepare financial statements in accordance with applicable standards (balance sheet/statement of financial position, income statement/statement of comprehensive income, statement of changes in shareholders' equity/ statement of changes in retained earnings, cash flow statement)
- Understand disclosure requirements (notes to financial statements)
- Prepare interim reporting
- Determine reportable segments
- Understand the role and composition of the external auditor's report
- Understand the role and composition of the MD&A

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**Financial Statements – Issues Regarding Items in Financial Statements**

Prepare the appropriate accounting treatment for the following items:

- Cash and cash equivalents
- Debt and equity investments (held for trading/fair value through profit and loss, available for sale/fair value through OCI, held to maturity/amortized costs)
- Receivables

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**Financial Statement Analysis**

- Use various techniques for analyzing financial statements (vertical and horizontal analysis, ratios and benchmarking)
- Understand limitations of conventional financial statements when used for analysis

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**Business Combinations and Consolidation of Financial Statements**

Prepare the appropriate accounting treatment for the following items:

- Business combination using acquisition method
- Consolidated statements on date of acquisition
- Consolidated financial statements subsequent to acquisition date (excluding unrealized profits on intercompany transactions)
- Joint ventures: proportionate consolidation or equity method

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**Financial Accounting for Not-for-Profit (NFP) Organizations**

- Understand the objectives and significant issues of financial reporting
- Prepare NFP financial statements under the deferral method and restricted fund method
- Prepare the appropriate accounting treatment for capital assets, and donated goods and services
- Prepare the appropriate accounting treatment for contributions (pledges, endowments, restricted contributions and unrestricted contributions)

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**Concepts Unique to Government Accounting**

- Understand internal and external users of government accounting information and the uses of that information
- Understand the objectives of government reporting and major reporting issues
- Understand budgetary control and encumbrances
- Understand government funds and their use in government accounting

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# Information Technology

## Overview

Information technology plays a vital role in supporting the activities of all organizations. Management accountants, in addition to extensively using various types of information technologies, create value through managerial, advisory and evaluative roles in connection with the adoption and use of various information technologies by organizations of all types and sizes. There is an increasing demand for professionals with a combination of business *and* information technology skills to help organizations structure their systems to provide effective and efficient support for their primary objectives and activities.

Information system management skills are not primarily technological. Rather, they include an understanding of strategic and operational business planning and associated IT issues, the ability to perform appropriate analyses of IT investments, an understanding of IT-related benefits and risks, the ability to stimulate and manage organizational change, and the ability to communicate effectively about IT topics.

### Types of Information Systems in Organizations

- Understand the types of information systems and their elements, users, similarities and differences
- Understand the role of system control and feedback
- Understand management and strategic uses of information and technology
- Understand accounting information systems vs management information systems

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### Roles of Information Systems in Business

- Understand the impact of IT on an organization’s decision making and performance
- Understand managing the supply chain
- Understand enterprise resource planning systems (ERP)
- Understand customer relationship management systems (CRM)
- Understand data and knowledge management (database management systems, data warehousing, data mining, knowledge management systems)
- Understand management support systems (accounting, financial, decision support, executive support, knowledge management, intelligent/expert systems)
- Understand impact on management accounting issues
- Understand the requirements for cost accumulation (ABC system vs job/process costing, components of ABC, relational database)

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**Internet Technology and Business – Models, Practices and Activities**

- Understand the internet’s role in transforming business processes, activities and research
- Understand internet models, applications and communication approaches for business
- Understand intranets
- Understand online transaction processing, online analytical processing and data warehousing in ERP and CRM systems
- Understand cloud computing

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**Security, Ethics and Internal Control**

**Security and Fraud**

- Understand the effects of information systems on traditional control activities
- Understand systems vulnerability and computer crimes
- Understand the concept of fraud, contributing factors and common fraud schemes
- Understand how to protect against fraud and computer crimes

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**Ethics and Privacy**

- Understand ethical issues related to information technology
- Understand privacy issues and privacy legislation related to information technology
- Understand how to address ethical and privacy issues

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**Internal Control**

- Understand exposure, risk and control objectives
- Understand control environment and activities

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**Transaction Cycles in Accounting Information Systems**

- Understand differences between accounting information systems/transaction processing systems and management information systems
- Understand activities comprising the various transaction cycles (revenue, expenditure, payroll, conversion, general ledger)
- Understand process flow diagrams for functional areas, data flow diagrams, document flow diagrams, systems flow charts

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**Strategic Considerations in IT Development**

- Understand usefulness of a business plan for IT applications
- Understand alignment/integration of information systems and key performance indicators for IT with business objectives and key success factors
- Understand factors to be considered: technology assessment, capacity planning, allocation of resources, management of technology diffusion, strategies for acquiring IT applications

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- Understand management’s tasks pertaining to acquisition, development, analysis, implementation and post-implementation review

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**Assessment of the IT Function**

- Understand financial control over IT
- Understand the governance of the IT function and how governance can help optimize an organization’s performance
- Understand management and operational issues (productivity, quality, facilities, human resources, procedures, maintenance, inter-organizational computing)
- Calculate various methods of evaluating IT (NPV, cost/benefit, business case approach)

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# Internal Control

## Overview

The ultimate responsibility for internal control rests with management as the management process is comprised of planning, controlling and decision-making activities. The management accountant enables value for the organization by collecting, processing and reporting information that will help all managers within an organization in these three tasks.

### Overview of Internal Control

#### Nature and Scope

- Understand internal control definition and objectives
- Understand components of internal control and how they are interrelated
- Understand the relationship between internal controls and achievement of management directives and objectives

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#### Limitations and Responsibility

- Understand internal control limitations
- Understand the role that various stakeholders have with respect to internal control
- Understand ethical considerations
- Understand the laws and regulations impacting internal control (including SOX and Bill 198)
- Understand document process flow diagrams for functional areas
- Understand the purpose of CASs
- Understand the Criteria of Control (CoCo) model

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### Components of Internal Control

#### The Control Environment

- Understand the elements within the organization (integrity, ethical values, competence, culture, management philosophy, policies and procedures)
- Understand the need for active participation by the board of directors and others charged with governance
- Understand management’s philosophy and leadership style
- Understand the impact of organizational structure on control
- Understand methods of assigning authority and responsibility
- Understand the impact of personnel policies and procedures
- Understand the external environment impact on control
- Understand the role of the AASB, IASB and other regulatory bodies

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**Risk Assessment**

- Understand the identification and analysis of risks, and factors that may increase risk
- Understand the significance of risk and likelihood of risk occurring
- Understand various methods and actions for reducing risk

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**Control Activities**

- Understand the benefits and limitations of segregation of duties
- Understand various preventive, detective and corrective controls (authorization, records, physical controls, independent checks, access controls, authority limits)

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**Information Systems and Communication**

- Understand the use of information systems, including the accounting system, to initiate, record, process and report transactions, events and conditions
- Understand communication of internal control roles and responsibilities, and reporting exceptions

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**Monitoring of Controls**

- Understand the internal audit function
- Understand assessing controls, making improvements, adjusting for changing conditions

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**Internal Control Systems**

**Control Process**

- Understand the steps in the control process (development of objectives, measuring results, comparing actual performance against objectives, analyzing the causes of differences, determining appropriate managerial action, taking appropriate actions and continually reappraising)
- Understand the process of developing controls to mitigate a specific internal risk (defining the risk, assessing the magnitude and likelihood of the risk occurring, identifying alternative controls, conducting cost/benefit analyses for alternatives, selecting, testing and implementing a control, and continuous monitoring)
- Understand the potential control problems in established processes (with respect to segregation of duties, data entry and output quality) and changes to correct deficiencies

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**Control in a Computerized Environment:**

- Understand the effects of computer-based information systems on controls, ethics and fraud
- Understand the various types of controls for computerized systems

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**Human Responses to Control Systems**

- Understand various behavioural responses to controls
- Understand effective methods of dealing with negative responses to controls

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**Auditing**

- Understand the role of the internal auditor
- Understand the role of the external auditor (including audit risk model and audit liability)
- Understand audit theory, planning process and reports
- Understand the audit risk model and auditor liability
- Understand the use of the six transaction-related audit objectives in assessing controls (i.e. occurrence, completeness, accuracy, posting and summarization, classification, and timing)

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# Management Accounting (Introductory, Intermediate, Advanced)

## Overview

Management accounting is described as a discipline that includes analysis of financial information for use by management in performing its organizational functions and in assuring the proper use and handling of an entity’s resources.

Management accounting is a core competence of a CMA. CMAs are expected to enable value for an organization through planning, analysis and cost management which, in turn, support an organization’s decision making. CMAs are counted on to provide key metrics that organizations utilize to support key decisions.

### Role of the Management Accountant

- Understand management accounting vs financial accounting
- Understand the duties of the management accountant

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### Ethics and the Management Accountant

- Understand issues related to ethics and accounting

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### Cost Systems

#### Cost Terminology

- Apply various classifications of cost (variable vs fixed, step variable, step fixed, mixed, period vs product, prime, conversion, opportunity, relevant, direct vs indirect, sunk, controllable vs non-controllable, committed vs discretionary, attributed vs allocated, relevant range)

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#### Cost of Goods

- Understand the flow of costs with a manufacturing environment
- Prepare a schedule of cost of goods manufactured and cost of goods sold

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#### Cost Behaviour

- Understand cost behaviour patterns and their relevance to decision making
- Calculate cost estimation: underlying assumptions, cost function parameters, difficulties encountered, approaches used: high-low, account analysis
- Apply regression analysis: underlying assumptions, difficulties encountered, selection criteria for choosing among cost functions, simple vs multiple regression, interpretation of results

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#### Costing Approaches

- Apply service department cost allocation (step, direct, reciprocal)
- Apply activity-based costing (ABC)
- Understand the difference between actual, normal and standard costing

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- Apply job costing
- Use process costing (weighted average and FIFO methods)
- Apply the treatment of normal and abnormal spoilage under job or process costing
- Use joint product and by-product costing
- Apply direct costing
- Apply absorption costing and cost of capacity (actual, normal, theoretical and practical capacity)
- Apply costs of quality (prevention, appraisal, internal, external)
- Understand other costing systems (project costing, hybrid costing, operations costing, kaizen costing, product life cycle costing, backflush costing)
- Understand the downward demand spiral

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**Information for Decision Making and Analysis**

**Contribution Margin Analysis**

- Calculate contribution margin vs gross margin
- Understand the application of the analysis to short- and long-term planning and decision making

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**Cost-Volume-Profit (CVP) Analysis**

- Understand the underlying assumptions, limitations and information requirements
- Calculate single- vs multiple-product CVP analysis
- Interpret a CVP graph
- Compute breakeven analysis, including the impact of sales mix and income taxes

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**Relevant Costing and Decision Making**

- Analyze a “make or buy” (outsourcing) decision
- Analyze a special order
- Analyze a “sell or process further” decision
- Analyze an “add or drop a product/service/department/customer” decision
- Analyze production planning in a scarce resources environment using linear programming (formulate, solve and interpret) and/or contribution margin per constraining factor

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**Pricing**

- Understand the major influences on pricing decisions
- Understand short-run and long-run pricing decisions
- Apply the various approaches to pricing (cost-based, demand-based, target-based, life cycle-based and value-based)
- Analyze a cost-plus vs fixed price contract

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**Capital Budgeting**

- Calculate net present value: merits, relevant cash inflows and outflows (initial investment, disposal costs of old machine, operating cash flows, terminal disposal price of investment, tax shields), appropriate discount rates, appropriate conclusions
- Apply and calculate other capital budgeting methods (internal rate of return, payback, profitability index)
- Understand the factors affecting domestic and international capital budgeting decisions (political risk, cash flows, discount rate, terminal value, income taxes, inflation, foreign exchange, strategic, non-financial and qualitative considerations)
- Understand other capital budgeting considerations: strategic, non-financial and qualitative factors, limited funds (capital rationing), post-acquisition audit, agency theory and investment in R&D

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**Sensitivity Analysis**

- Apply sensitivity analysis to capital budgeting, CVP, contribution margin analysis, linear programming, relevant costing and other planning tools

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**Decision Analysis Under Uncertainty**

- Apply decision models and tools to solve problems (decision tree and payoff table)
- Use expected value analysis and expected value of perfect information
- Understand the limitations of decision analysis under uncertainty

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**Revenue and Profitability Analysis**

- Calculate revenue allocation from bundled products/services
- Compute profitability analysis (customer, product, division, geographic location, demographic, gender)

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**Planning and Control**

**Planning Cycle**

- Understand the elements of the planning cycle and their roles
- Understand how management accounting information supports planning, control and performance evaluation

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**Budgeting**

- Understand the budgeting process: functions, relationships, components, techniques
- Prepare the master budget and all its components (sales, production, materials, labour and inventory, overhead and administration, cash)
- Understand the various components of budgets: role, types, information requirements, preparation, impact on decision making and human behaviour
- Understand Kaizen budgeting and activity-based budgeting

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**Flexible Budgets and Standard Costs**

- Develop flexible and static budgets
- Understand standard costs: advantages, disadvantages, types, setting standard costs
- Apply standard costing system

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**Management Control and Variances**

- Apply static-budget and flexible-budget variances
- Compute cost and sales variances: price/rate, efficiency, denominator, spending, mix, yield, volume, quantity, market share and market size
- Analyze and review the meaning and implications of favourable and unfavourable variances
- Understand how to investigate variances: approaches and criteria used

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**Performance Management**

**Responsibility Accounting**

- Understand the merits of decentralization vs centralization
- Understand the types of responsibility centres (revenue, cost, profit, investment)
- Understand responsibility accounting systems: controllability, performance reports, behavioural implications
- Understand activity-based management

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**Performance Evaluation and Reward Systems**

- Understand the design of performance measurement including appropriate measures and performance targets for organizational units and managers (motivation and goal congruence, ethical issues)
- Understand how performance measures align with strategic goals, key success factors and stakeholder needs
- Understand organizational performance in relation to strategic goals and internal operational goals
- Understand the advantages/disadvantages of organizational performance measurement systems (Balanced Scorecard)
- Understand financial and non-financial measures (return on investment, residual income, quality indicators, and employee and customer satisfaction surveys)
- Calculate various performance measures (return on investment, residual income, variances, market share, profit margin and quality control metrics)

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**Transfer Pricing**

- Understand the objectives, advantages/disadvantages/selection/application of appropriate transfer pricing methods (market price, variable cost, full cost, negotiated), behavioural implications, consideration of transfer pricing policies

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- Calculate transfer prices
- Understand international transfer pricing considerations: differences from domestic transfer pricing, influencing factors (exchange rates, tax rate, duties, political climate, repatriation of profits), objectives, behavioural implications

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**Management Control in Not-for-Profit and Government Organizations**

**Characteristics of Not-for-Profit and Government Organizations**

- Understand the characteristics of not-for-profit organizations and the tax and legal implications of those organizations
- Understand the characteristics of government organizations.
- Understand the roles of governance and senior management in not-for-profit organizations

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**Management Planning and Control Principles as They Apply to Not-for-Profit and Government Organizations**

- Understand operations budgeting
- Apply capital budgeting in an NFP environment
- Understand the usefulness of capital budgeting in the not-for-profit sector
- Understand the role and application of responsibility centres in not-for-profit organizations
- Understand unique product and service pricing considerations facing not-for-profit organizations
- Understand efficiency and effectiveness performance measures
- Understand the unique needs of performance reporting, performance evaluation and program evaluation

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# Marketing

## Overview

Marketing is the process that identifies, anticipates and satisfies customer requirements profitably.<sup>1</sup> Organizations expect management accountants to create and enable value for the organization through understanding and analysis of marketing and its many components. Marketing touches on nearly all typical management accounting functions and duties. Consequently, a management accountant needs to have a sound understanding of marketing and its impact on an organization.

### The Nature of Marketing and Markets

#### The Marketing Environment

- Understand the nature and scope of marketing and the four *Ps*
- Apply the steps in the environmental scanning process (SWOT, PESTE)
- Understand the impact of the external macro environment and micro environment on the organization’s marketing system
- Assess an organization’s rivals to find a source of advantage
- Describe the strategic marketing planning process and the marketing plan

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#### Target Markets and Consumer Behaviour

- Describe market segmentation
- Explain market positioning vs market segmentation
- Define a target market and market positioning strategies
- Forecast market demand
- Understand consumer buying-decision process and the social and psychological factors that influence it
- Explain buyer segment attractiveness and valuation process
- Understand components of market research (requirements, methods of collecting, analysis, factors to consider)
- Understand the techniques for analyzing markets and forecasting demand

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### The Major Elements of Marketing

#### Products and Services

- Explain the value proposition
- Understand the classification of consumer and business products
- Understand new product/service development and new product adoption processes
- Calculate appropriate product mix and understand related strategies

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<sup>1</sup> The Chartered Institute of Marketing

- Describe the product life cycle (stages, characteristics, market positioning, dimensions, domestic and international markets)
- Describe branding and branding strategies
- Understand how the different marketing elements can create a differentiated customer experience which leads to brand equity
- Understand the importance of packaging and labels
- Describe the nature and scope of services
- Distinguish between products and services and understand their implications for the marketing mix
- Explain the importance of warranties in revenue generation
- Compute product line sales and profits
- Describe the strategic marketing process for services

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**Price**

- Understand long- and short-term pricing objectives and constraints
- Explain the factors that affect demand for a product or service
- Understand the various methods of pricing (demand-oriented, cost-oriented, profit-oriented, competition-oriented)
- Describe reverse engineering pricing strategy
- Understand legal and regulatory aspects of pricing

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**Channels – Supplier and Distributor Relationships**

- Describe value-chain analysis and management
- Explain the nature and importance of intermediaries and distribution channels
- Explain distribution channel management: supplier relationships; channel design, intensity and selection; channel conflicts; legal considerations; use of the Internet
- Describe the components of retailing: types of retailers, positioning, customer retention

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**Communications**

- Explain the nature and purpose of promotion (methods, communication process, promotional mix, push and pull strategies, regulation)
- Understand advertising, personal selling, direct marketing, sales promotion and public relations
- Understand the role in revenue generation
- Understand an integrated approach to communications

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**Marketing Management**

- Describe the different levels of marketing strategy
- Understand the integration of elements of the marketing mix into a marketing strategy
- Describe customer relationship management (CRM)
- Understand the assessment and management of marketing performance from the point of view of various stakeholders
- Understand ethics and social responsibility in marketing

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# Operations Management

## Overview

Operations management may be defined as the design, operation and improvement of the systems that create the firm’s primary products or services. Demand for quality, time-based competition and international production have clearly demonstrated the importance of superior operations management to the survival of a firm.

The management accountant creates value for an organization through his or her understanding and communication of the impact of operations on corporate strategy and other elements in the value chain. Management accountants are expected to understand the processes by which goods and services are produced to keep the firm’s internal cost accounting systems timely, relevant and informative. Finally, organizations expect the management accountant to speak knowledgeably about many issues in the field of operations management in order to maximize his or her contribution to the management team.

### Nature and Context of Operations Management

#### Production and Operations Management

- Understand the differentiating features of production systems and types of operations
- Understand the differences between service and manufacturing operations
- Understand the key aspects of operations management decision making
- Understand the globalization of operations and related considerations (costs, risks, challenges)

#### Service Management

- Understand the nature of services and service support
- Understand service standards, plans, schedules and controls

#### Quality Management

- Understand perceptions, definitions, dimensions and concepts of quality
- Understand quality control and quality assurance
- Understand quality assurance pertaining to services
- Understand total quality management (TQM)
- Understand quality improvement and concept of continuous improvement
- Understand costs of quality (classifications, calculation, effect of one on another)
- Understand measures of quality, quality measurement systems (Six Sigma) and quality awards (Baldrige Award)
- Understand quality management tools: statistical process control, statistical quality control, Pareto analysis, process capability analysis, fishbone cause-and-effect diagram, scatter diagram, control chart

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**Design of Production Systems**

**Product and Service Design**

- Understand process mapping
- Understand the theory of constraints

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**Strategic Capacity Planning**

- Understand capacity strategies and importance of capacity decisions
- Understand the application of capacity measures
- Understand strategic capacity planning and outsourcing decisions

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**Planning and Controlling the System**

**Supply Chain Management**

- Understand the components and objectives of supply chain management
- Understand supply chain activities, processes and alignment of operations and strategies
- Understand information technology and supply chain management
- Understand various types of supplier relationships
- Understand risks and cost associated with outsourcing/offshoring
- Measure supply chain performance
- Understand internal and external influencing factors
- Understand matching production with strategy

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**Project Management**

- Understand the components of project planning: elements, team, responsibility assignment, global issues
- Understand the project life cycle: the stages and their elements
- Understand various project planning tools: PERT, Gantt charts, CPM
- Understand the elements of project budgetary control including cash flow projection

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**Resource Planning, Materials Management and Purchasing**

- Understand capacity requirements planning (CRP)
- Understand enterprise resource planning (ERP)
- Understand supplier networks

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**Managing Inventory**

- Understand components of inventories: nature, importance, associated basic costs
- Understand inventory control systems: periodic, perpetual/continuous, ABC
- Understand various models and systems for managing inventories (EOQ, reorder point)

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**Lean (Just-in-Time) Systems**

- Understand goals and benefits of just-in-time (JIT) production systems
- Understand key elements of successful implementation of JIT and their required characteristics

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**Business Process Re-engineering**

- Understand the benefits and potential problems of re-engineering
- Understand activity-based management (process improvement, process value analysis, cost reduction, activity-based financial performance measurement)
- Understand the relevance to cost management

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# Organizational Behaviour

## Overview

Managing has been defined as the art of getting things accomplished in organizations. Managers acquire, allocate and utilize *physical* and *human* resources to accomplish goals. A large component of this syllabus addresses the acquisition, allocation and utilization of physical resources, but the management accountant cannot ignore the human dimension.

Organizations expect the management accountant to be well equipped to effectively predict, explain and manage the behaviour that occurs in organizations.

### Function of Human Resources

- Understand the roles of planning, recruitment, selection, performance evaluation, development and compensation
- Understand HR policies (promotion, equity, prevention of discrimination and harassment, health and safety, benefits)
- Understand ethical issues related to compensation, cultural values and fair pay

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### Organizational Behaviour – General Concepts

- Understand the basic characteristics of organizations and organizational culture
- Understand organizational effectiveness and productivity

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### Individual Behaviour

- Understand individual differences related to learning, reinforcement, attribution, expectations, perception and perceptual errors, personality, emotions, workforce diversity, values, attitudes, judgment, work behaviour and job satisfaction
- Understand theories of work motivation, types of motivation, effective feedback and implications of inequity
- Understand effects of monetary and non-monetary awards, job enrichment, goal setting, management by objectives, job design and the working context (structure, systems, processes, quality of supervision) on motivation
- Understand various methods of compensation and tax implications
- Understand the role of competitive environment in recruitment and retention
- Understand the role of human resource policies in the design of incentive systems and the impact of incentives on attracting and retaining employees

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**Interpersonal and Group Behaviour**

- Understand the types of groups and teams (formal, informal, self-managed and cross-functional) and factors affecting dynamics and how they operate (size, member diversity, norms, roles, status and cohesiveness)
- Understand social influence (social norms, methods and stages of organizational socialization), corporate values and organizational culture
- Understand leadership: traits, theories, types and use
- Understand components of communication: nature, role, overcoming barriers, effective methods and techniques, impact of technology
- Understand the impact of cognitive biases, using groups and groupthink on decision making and techniques for improving organizational decision making
- Understand organizational power (bases of individual power, obtaining and using power, importance of information), politics, influence and ethics
- Understand interpersonal conflict within organizations (causes, consequences, managing), negotiation techniques and stress (sources, consequences, managing)

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**Organizational Processes**

- Understand organizational structure and design: nature, purpose, influencing factors, characteristics, traditional and emerging types, implications for managing behaviour
- Understand organization’s environment, strategy and technology (domestic and international aspects)
- Understand organizational change: environmental forces, the change process, resistance to change, organizational learning and change agents
- Understand organizational development and innovation

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# Statistics

## Overview

One of the ways management accountants are expected to provide value to an organization is through their analysis and corresponding recommendations. An understanding of statistics is crucial to be able to objectively examine data and complete a thorough analysis on which to base recommendations.

### Descriptive Statistics

- Organize and collect data
- Analyze graphs, charts and tables to describe data and distributions
- Analyze numerical measures to describe data and distributions

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### Basic Probability and Important Distributions

- Apply probability theory and concepts
- Analyze probability and probability distributions
- Understand discrete probability distributions (binomial, poisson)
- Understand normal and other continuous probability distributions

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### Statistical Inferences Based on Samples

- Apply sampling design and distribution, confidence intervals and estimation
- Understand population values for one and two populations
- Understand hypothesis testing and statistical significance, including two sample tests
- Analysis of variance
- Understand goodness of fit tests
- Understand contingency analysis

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### Regression and Correlation

- Understand simple linear regression
- Understand correlation analysis and multiple regression analysis
- Understand model building

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### Other Topics

- Understand forecast time series data
- Understand decision making using statistics
- Understand statistical application in quality and productivity management

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# Strategic Management

## Overview

Strategic management is “the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objective.”

To create value for an organization, the management accountant is expected to understand the many components of strategy, analyze the internal and external environments, and use that knowledge to evaluate alternative courses of action.

### Overview of Strategic Management

- Understand the nature and benefits of strategic management
- Understand the roles/responsibilities of various levels of the organization in the strategic management process including the board of directors and top management
- Understand how social responsibility and ethics fit in strategic management

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### Mission, Vision, Goals and Objectives

- Understand the nature, role and characteristics of vision and mission statements
- Understand the differences and relationships between vision, mission and goals/objectives
- Understand how vision and mission statements are developed
- Understand the formulation of financial and non-financial goals and objectives
- Understand how to align organizational activities with vision, mission, goals and objectives

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### Environmental Scanning and Industry Analysis

#### External Opportunities and Threats

- Understand approaches to external analysis (PESTE and SWOT)
- Understand and conduct Porter’s Five Forces competitive/industry analysis
- Understand and conduct profit pool analysis (identifies where the profit is being earned in a value system)
- Understand and conduct external stakeholder analysis

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#### Environmental Variables

- Identify how macro forces affect organizations (economic, social, cultural, demographic, environmental, political, governmental, legal, technological, competitive)
- Utilize sources of external information (indexes, online data bases and library)
- Understand the importance of monitoring external trends and events

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**Competitive/Industry Analysis**

- Identify key success factors of the industry and forces driving industry competition
- Apply Porter’s Five Forces analysis concepts: barriers to entry, substitute products/services, bargaining power of suppliers and buyers
- Understand the importance of gathering competitive intelligence
- Understand the importance of predicting behaviour of competitors and competitive dynamics
- Understand comparative, absolute and competitive advantage
- Understand industry life-cycle theory

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**Internal Scanning and Analysis**

**Internal Strengths and Weaknesses**

- Assess the internal structure, systems and processes, culture, financial capital, human capital and intellectual capital of an organization

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**Internal Analysis**

- Understand and use various approaches to internal analysis (value chain analysis, resource/capability/core competence analysis and benchmarking)
- Apply financial ratio, vertical and horizontal analysis in internal analysis
- Recognize intellectual capital (knowledge assets, patents, intellectual property)

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**Strategy Formulation**

- Understand corporate, business and functional levels of strategy
- Understand alternative strategic vehicles, such as diversification (concentric, horizontal, conglomerate), defensive (divestiture, retrenchment), integration (forward, backward, horizontal), intensive (market penetration, market development, product development) and unbundling/outsourcing
- Understand various generic strategies (cost leadership, differentiation, focused/niche, best value, and integration of low cost and differentiation)
- Understand which business strategies are more effective at different stages of an industry’s life cycle
- Understand alternative approaches to growth (joint venture, alliance, merger, acquisition and organic)
- Understand how to go international (entering international markets; risks of doing so; differences in cultural, demographic and market conditions by market; and types of foreign country entry strategies)
- Understand use of e-business in strategy

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- Understand corporate social responsibility and the triple bottom line
- Understand the sustainable organization and creation of sustainable stakeholder value
- Understand carbon accounting, environmental reporting and the role environmental factors have on strategy
- Understand the customer value proposition (Balanced Scorecard Strategy-Focused Organization approach to value with product/service attributes, image attributes and relationship attributes)

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**Strategy Implementation**

- Understand strategic control
- Understand the role of corporate governance
- Generate pro forma financial statements and understand their role in implementation
- Understand advantages and disadvantages of organizational structures for a strategy (simple, divisional and matrix designs; centralized and decentralized designs; narrow and broad span of control)
- Understand employee recruitment, training and retention
- Understand performance measurement, evaluation and incentive systems, and their link to strategy
- Understand the role of belief systems and corporate values in supporting new strategies
- Understand the role of organizational culture in strategy
- Understand how specific systems bound behaviour (codes of conduct, policy manuals and procedures)
- Understand the importance of managing resistance to change when implementing strategy
- Understand nature and roles of operations, human resources, finance, marketing and information technology in strategy implementation

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**Strategy Evaluation**

- Understand the system for continuous monitoring and evaluation of value created by a strategy and subsequent updating of an organization’s strategy
- Understand a practical framework for monitoring and evaluating financial and non-financial strategic objectives
- Understand the importance of contingency planning when implementing strategy

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**Governance**

**Role of Governance**

- Define the duties, responsibilities and relationships of the board of directors and board committees

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- Understand the duties of management, owners and other stakeholders
- Understand the role of internal and external audit in ensuring good governance
- Understand the role of regulatory bodies in ensuring good governance
- Understand the impact of the Sarbanes-Oxley Act of 2002 and Canadian Securities Administrators Multi-lateral Instruments on governance
- Understand the information required by the board of directors to perform its roles
- Understand how the board of directors can evaluate itself

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**Achievement of Strategic Objectives**

- Understand the role of code of corporate conduct and ethical values with respect to governance issues
- Understand the role management incentives play in maintaining organizational compliance
- Understand the reporting mechanisms for compliance and risk issues

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**Enterprise Risk Management**

**Types of Enterprise Risks**

- Understand the different types of enterprise risk (strategic, operational, reporting, compliance)

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**External Risks**

- Understand the benefits of enterprise risk management
- Identify external risks related to strategic objectives
- Understand and apply the various techniques for risk measurement and evaluation (examples: benchmarking, probabilistic models, sensitivity models, scenario analysis)
- Measure expected losses of external risk
- Weigh expected losses against benefits of successfully managing the risk
- Understand the impact of shifts in external environment on risk exposure
- Understand the considerations for setting acceptable risk levels

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**Risk Response Strategy**

- Understand the different risk response alternatives (accept, share, transfer, reduce/mitigate, avoid)
- Compute the cost/benefit analysis of risk response alternatives
- Understand the policies and procedures for effectively implementing the chosen risk response

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# Taxation

## Overview

While CMAs are not expected to be tax specialists, they are expected to have a base knowledge of personal and corporate taxation. In order to report value for an organization, a CMA needs to be competent in elementary Canadian taxation and understand typical taxation issues that will affect the organization’s decisions.

Due to frequent changes in tax law and various provincial taxation rules, the Canadian taxation system has become highly complex in nature. For the purposes of the Entrance Examination, it is critical that candidates thoroughly understand federal income tax *principles* and broad federal tax planning *concepts*.

### Federal Taxation in Canada

#### The Canadian Tax System and Legislation

- Understand the Federal Income Tax Act
- Understand the common sources of tax law interpretation (court decisions, interpretation bulletins, information circulars)

#### Tax Principles and Concepts

- Understand and apply the differences between business income, property income, capital gains and losses, accounting income, income for tax purposes and taxable income
- Understand major tax variables affecting business decisions: entities subject to taxation, alternative forms of business, tax jurisdictions, residency, international tax treaties, regulatory obligations (filing returns, instalment payments, interest and penalty payments)

#### Principles of Tax Planning and Income Deferral

- Understand the rules for differentiating between tax planning (tax avoidance and income deferral) and tax evasion
- Explain General Anti-Avoidance Rule (GAAR)
- Describe non-arm’s-length transactions, income attribution and deemed dispositions
- Understand tax planning opportunities (shareholder-manager remuneration, holding companies, transferring assets into a corporation)

### Net Income for Tax Purposes

#### Income (Loss) from Office and Employment

- Understand the difference between an independent contractor and an employee for tax purposes
- Apply taxation rules to calculate income from employment
- Explain cash and non-cash benefits and the tax effects
- Describe the impact of these concepts on employee compensation planning

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**Business Income and Net Income for Tax Purposes**

- Apply taxation rules for calculating business income, including adjustments to accounting net income

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**Property Income**

- Apply taxation rules for measuring net income from property

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**Capital Cost Allowance and Cumulative Eligible Capital**

- Apply the capital cost allowance system (calculation, application in calculating net income for tax purposes, relevance to management decisions)
- Calculate the impact of acquisitions and dispositions of depreciable capital property (recapture and terminal loss)
- Apply eligible capital property taxation rules

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**Capital Gains and Losses**

- Apply rules for capital gains and losses, proceeds of disposition and adjusted cost base
- Calculate capital gains and losses for tax purposes

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**Deferred Income Plans and Other Sources of Income and Deductions**

- Explain major types of deferred income plans (registered pension plans, deferred profit sharing plans, registered retirement savings plans)

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**Taxable Income and Taxes Payable for Corporations**

- Understand legislative intent of corporate taxation and application of taxation rule types for different types of corporations
- Apply the rules for calculating taxable income for corporations
- Apply rules pertaining to calculating Part I tax (federal corporate tax rate, corporate surtax, federal tax abatement)
- Apply small business deduction and rules governing associated companies
- Understand manufacturing and processing profits deduction, investment tax credits, foreign income tax credit, scientific research and experimental development (SR&ED) incentives, and other special incentives and credits pertaining to the calculation of taxes payable for a corporation
- Understand and apply the concept of integration of the corporate and personal tax systems for business and investment income, including dividend gross-up and dividend tax credit
- Understand and apply taxation rules pertaining to special refundable taxes (refundable portion of Part I tax, refundable dividend tax on hand, dividend refund, refundable tax on CCPC investment income)

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