



2019 CIMA Professional Qualification Syllabus

Reinventing finance in a digital world

“Digitalisation is transforming all industries. This is why digital skills should be conveyed at all levels and in all forms of education.”

Joe Kaeser, President and CEO Siemens AG

Foreword

I am pleased to introduce the 2019 CIMA Professional Qualification Syllabus, which further strengthens our commitment to the employability needs of both business and people, and underpins the CGMA designation.

In an increasingly digital world, rapid changes in technology are creating challenges for the business models of organisations. It is also making it difficult for business leaders and employees to create and preserve sustainable value. Against this digital backdrop, it is imperative that finance professionals possess relevant technical skills, a sound understanding of their organisation, as well as the ability to influence and lead people. This will make them capable of providing the insight their organisations need to craft and successfully execute their strategies.

The 2019 syllabus continues to bridge the skills gap of newly qualified finance professionals worldwide, meeting the employability needs of both business and people. In designing the syllabus, we set out to enhance the relevance of the syllabus to employers; ensure the rigour of the related examinations and align the learning experience of candidates to the real world.

The changes in the syllabus are based on our three-stage research approach of employer interviews, roundtables and a global survey to a range of stakeholders. We contacted over 6,500 finance professionals, from over 2,000 organisations, in over 150 countries. We have used the same research methodology as the previous syllabus update but on a larger scale and with wider participation. This research has allowed us to capture the latest views of finance professionals so that we can incorporate these into the syllabus.

Importantly, the updated syllabus includes how the digital world affects finance; this can be seen through the introduction of digital costing and digital strategy. Topics such as cybersecurity and business models have also been incorporated. Existing areas, such as integrated reporting, have been expanded to reflect their growing prominence. Ultimately, these topics support CIMA's desire to produce competent and confident management accounting professionals who can guide and lead their organisations to sustainable success.

I strongly recommend the CIMA Professional Qualification to employers and to those wishing to pursue a successful and rewarding career in business.

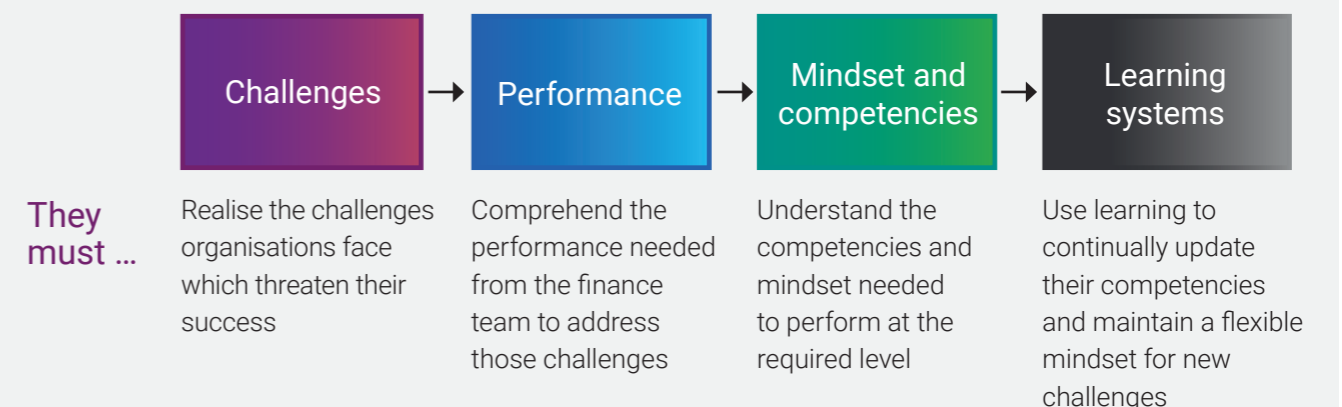


Noel Tagoe, Ph.D., FCMA, CGMA
Executive Vice President – MA Research and Curricula

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Increasingly, the required skills of finance professionals are moving into the **expert, problem-solving** arena and they must adopt competencies involved in influencing and change management. The finance professional needs a **mindset** that enables them to adapt through **continuous learning**.



The CIMA Professional Qualification

CIMA's objective in designing the syllabus is to enhance the employability of students and members. It intends to create a learning system that enables learners to acquire skills, competencies and mindsets that are in high demand by employers. This has never been more important with the pace of change increasing and traditional roles being redefined by technology and digital advances.

The Professional Qualification comprises three pillars of domain knowledge divided into three levels of achievement. The pillars are Enterprise, Performance and Financial. The levels are Operational, Management and Strategic. When combined with the required practical experience, CIMA qualified members will be capable of supporting and leading their organisations through the challenging environment of constant change. The syllabus, assessments and practical experience

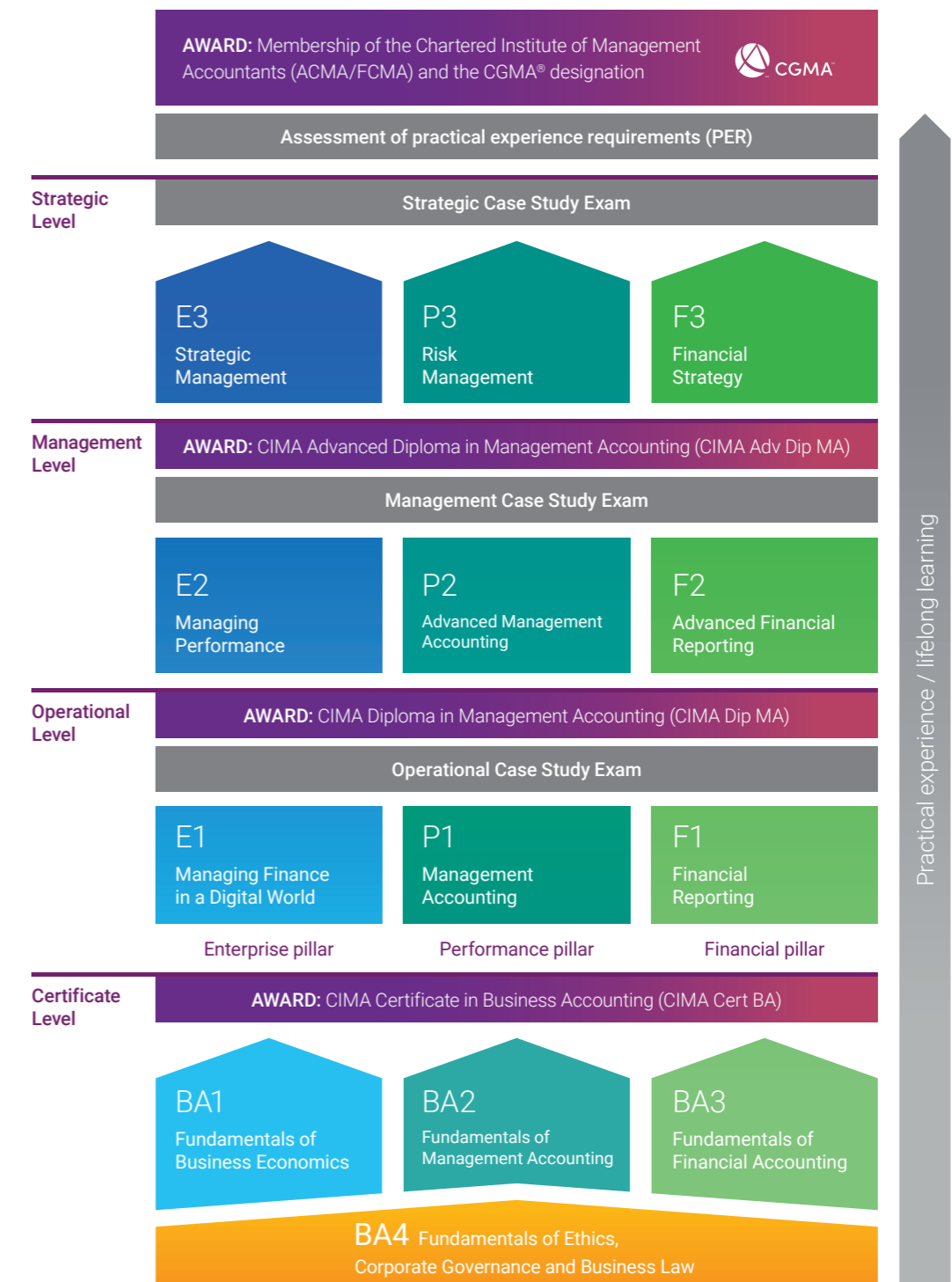
requirements ensure members are competent in the essential accounting, finance and business-related skills. It also provides them with the skills required to lead the finance function in a digital age.

To complete the CIMA qualification, and be able to use the Chartered Global Management Accountant® (CGMA®) designation, students need to:

- Meet the entry requirements of the professional level qualification.
- Study for and complete the relevant professional level assessments, culminating in the Strategic Case Study Exam.
- Complete three years of relevant practical experience, which can be gained before, during and/or after studies.

The CIMA Qualification Framework

The diagram below shows the CIMA Qualification Framework. This includes the Certificate in Business Accounting; the Professional Qualification; Assessment of Practical Experience; and Continuing Professional Development (CPD) in the form of lifelong learning.



The CGMA Competency Framework

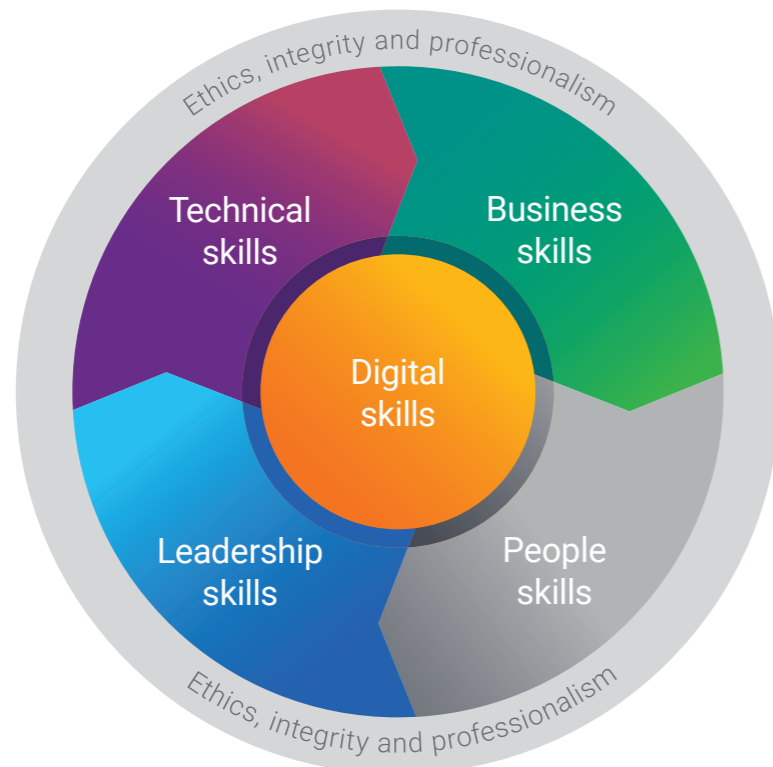
The CGMA Competency Framework was first introduced with the 2015 syllabus. It set out the skills and competencies that employers identified as essential for their finance staff across a range of industries, organisation sizes and role levels within an organisation. To update both the syllabus and competency framework, we once again undertook global research to better understand what is changing for both the finance function within the organisation and the finance professional, against the backdrop of an ever-increasing digital world.

Our three-stage research approach of employer interviews, roundtables and a global survey to a range of stakeholders, meant that we reached out to over 6,500 finance professionals, from over 2,000 organisations, in over 150 countries, to answer the following questions;

- How will the future be different for your organisation?
- What are the drivers of change for your organisation?
- What are the implications for finance?
- How should finance prepare for the changes?

The digital world, in which organisations now operate, is changing rapidly and in unpredictable ways. Our research shows that technology is seen as the key driver of change for both organisations and their finance functions. Technology is transforming what finance professionals do, and revolutionising how the finance function is being deployed.

The competency framework reflects our findings on how finance professionals are expected to apply accounting and finance skills within the context of the business/ organisations in which they operate. It also reflects for the first time how technology and a digital mindset will be required to affect and influence their own decisions, actions and behaviours and those of their colleagues within the wider organisation. To be able to do this, five sets of skills have been identified – technical accounting and finance skills; business skills; people skills; leadership skills and digital skills – and a digital mindset underpinning the categories.



The knowledge, skills and behaviours within each area of the CGMA Competency Framework knowledge areas are:

Technical skills

Financial accounting and reporting; cost accounting and management; business planning; management reporting and analysis; corporate finance and treasury management; risk management and internal control; accounting information systems; and tax strategy, planning and compliance.

Business skills

Strategy; business models; market and regulatory environment; process management; business relations; business ecosystems management; project management; and macroeconomic analysis.

People skills

Influence; negotiation and decision-making, communication; and collaboration and partnering.

Leadership skills

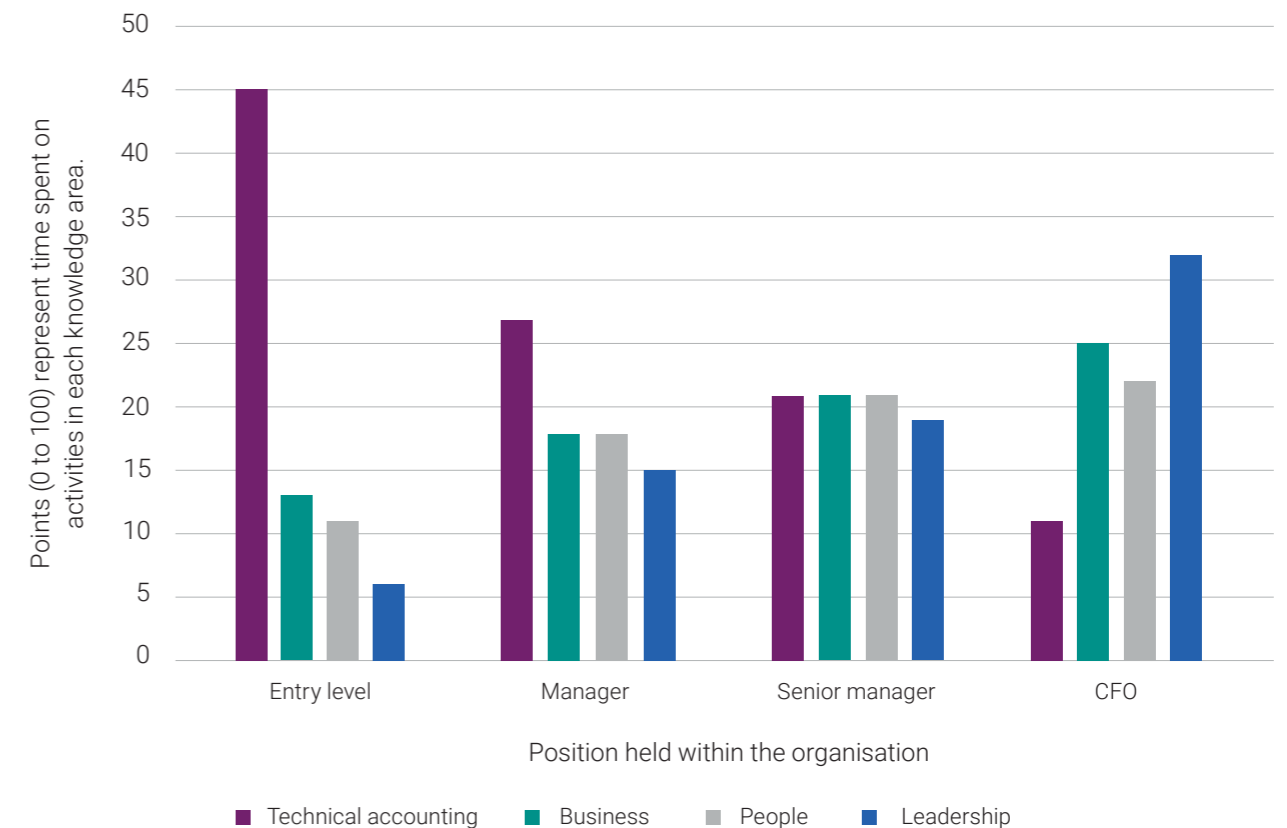
Team building; coaching and mentoring; driving performance; change management; and ability to motivate and inspire.

Digital skills

Information and digital literacy; digital content creation; problem-solving; data strategy and planning; data analytics; and data visualisation.

These remain underpinned by **ethics, integrity and professionalism**.

Based on the survey responses, the graph below shows the activities in which respondents currently spend their time, depending on their role within the organisation. It is anticipated that these will alter as technology and digitalisation continue to affect the role of the finance professional.



Structure of the CIMA Syllabus

The CIMA Syllabus comprises nine subjects that are organised in three pillars and three levels.

The pillars

The three pillars represent specific areas of knowledge.

The content of each pillar develops as students move up the qualification. The three pillars are interlinked to provide a coherent body of knowledge that will equip successful students with the competencies they require.

The Enterprise Pillar focuses on the role of the finance function and how it interacts with the organisation using data and technology. It looks at business models and the management of people and projects to achieve organisational goals. It deals with the formulation and the effective implementation of strategy.

The Performance Pillar uses the tools and techniques of management accounting and risk management to ensure that strategy is realistic and to monitor its implementation. It shows students how to use their understanding of costs to construct budgets, make decisions about prices and capital expenditure, manage costs and manage performance. Digital costing is introduced alongside traditional costing techniques and cost management is expanded to reflect its growing importance in an increasingly competitive environment

The levels

The syllabus is also divided into three levels of achievement. Students progress from the Operational Level to the Management Level and finally to the Strategic Level. At each level students study subjects across the three pillars.

The Operational Level focuses on the short term and the implementation of decisions. Students will be able to work with others in the organisation and use appropriate data and technology to translate medium-term decisions into short-term actionable plans.

The Management Level focuses on translating long-term decisions into medium-term plans. Candidates will be able to use data and relevant technology to

for organisations. It develops the ability of students to progressively identify, classify and evaluate various risks to an organisation, including enterprise risk, strategic risk and cyber risk and manage these risks predominantly through internal controls.

The Financial Pillar focus is the financial accounting and reporting obligations of the organisation. This includes an understanding of the regulatory framework and external reporting requirements, including integrated reporting. The ability to construct and evaluate complex financial statements, including those relating to group accounts to show the financial position and performance of an organisation is essential. The principles of taxation and the tax implications of financing decisions are covered. It also looks at formulating financial strategy, which is linked to the formulation of organisational strategy in the Enterprise Pillar and assessing risk in the Performance Pillar.

The subjects in each learning pillar are designed to be sequential, from Operational to Strategic Level, encouraging the progressive development of knowledge, techniques and skills.

manage organisational and individual performance, allocate resources to implement decisions; monitor and report implementation of decisions; as well as prepare and interpret financial statements to show performance.

The Strategic Level focuses on long-term strategic decision-making. Candidates will be able to support organisational leaders to craft strategy; evaluate and manage risks that might prevent organisations from successfully implementing strategy; value organisations; and source financial resources required to implement the strategy.

The CIMA Syllabus

Strategic

(Decide)

- Make strategic decisions.
- Formulate and create strategy whilst managing the associated risks.

E3: Strategic Management

- The strategy process
- Analysing the organisational ecosystem
- Generating strategic options
- Making strategic choices
- Strategic control
- Digital strategy

P3: Risk Management

- Enterprise risk
- Strategic risk
- Internal controls
- Cyber risks

F3: Financial Strategy

- Financial policy decisions
- Sources of long-term funds
- Financial risks
- Business valuation

Management

(Monitor)

- Monitor implementation of decisions.
- Monitor, manage and analyse performance.

E2: Managing Performance

- Business models and value creation
- Managing people performance
- Managing projects

P2: Advanced Management Accounting

- Managing the costs of creating value
- Capital investment decision-making
- Managing and controlling the performance of organisational units
- Risk and control

F2: Advanced Financial Reporting

- Financing capital projects
- Financial reporting standards
- Group accounts
- Integrated reporting
- Analysing financial statements

Operational

(Implement)

- Implementation of decisions.
- Translate medium-term decisions into short-term actionable plans; then report on performance.

E1: Managing Finance in a Digital World

- Role of the finance function
- Technology in a digital world
- Data and information in a digital world
- Shape and structure of the finance function
- Finance interacting with the organisation

P1: Management Accounting

- Cost accounting for decision and control
- Budgeting and budgetary control
- Short-term commercial decision-making
- Risk and uncertainty in the short term

F1: Financial Reporting

- Regulatory environment of financial reporting
- Financial statements
- Principles of taxation
- Managing cash and working capital

Enterprise Pillar

Articulate a vision in a digital world.
How do we articulate the role of the finance function in a digital world?
How do we manage performance through people and projects?
How do we develop and manage strategy?

Performance Pillar

Make the vision a reality
How do we use costing and budgeting for short-term decision-making?
How do we monitor and control activity to ensure performance?
How do we identify, mitigate against and manage risks to the organisation?

Financial Pillar

Communicate and report on the vision through a financial lens.
How do we prepare financial statements?
How do we interpret financial statements and use them to support strategy?
How does financial strategy drive the ambitions of the organisation?

Learning outcomes

Each syllabus section contains one or more lead learning outcomes, related component learning outcomes, topics to be covered and explanatory notes that help provide the context for that topic area.

Each lead learning outcome defines the skill or ability that a well-prepared student should be able to demonstrate at the end of the period of learning.

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.

Eg, 'Analyse the features of internal control systems'. The verb 'analyse' indicates a high-level learning object (level 4). Because learning objectives are hierarchical, it is expected that at this level, students will be able to examine and communicate the role, features and purpose of internal controls in managing organisational risks.

The following table lists the learning objectives and the verbs that appear in the syllabus learning outcomes.

Examination blueprints

For the first time, from 2019 examinations onwards, CIMA will publish examination blueprints based on the syllabus. It will set out in detail what is examinable in each of the objective tests and case study examinations for a given period and will provide information about the format, structure and weightings of the assessments. It is intended that blueprints will be updated and published annually.

For more information, go to cimaglobal.com/examblueprints.

Levels	Learning objective	Verbs used	Definition
5	Evaluation How you are expected to use your learning to evaluate, make decisions or recommendations	Advise Assess Evaluate Recommend Review	Counsel, inform or notify Evaluate or estimate the nature, ability or quality of Appraise or assess the value of Propose a course of action Assess and evaluate in order, to change if necessary
4	Analysis How you are expected to analyse the detail of what you have learned	Align Analyse Communicate Compare and contrast Develop Discuss Examine Interpret Monitor Prioritise Produce	Arrange in an orderly way Examine in detail the structure of Share or exchange information Show the similarities and/or differences between Grow and expand a concept Examine in detail by argument Inspect thoroughly Translate into intelligible or familiar terms Observe and check the progress of Place in order of priority or sequence for action Create or bring into existence
3	Application How you are expected to apply your knowledge.	Apply Calculate Conduct Demonstrate Prepare Reconcile	Put to practical use Ascertain or reckon mathematically Organise and carry out Prove with certainty or exhibit by practical means Make or get ready for use Make or prove consistent/compatible
2	Comprehension What you are expected to understand.	Describe Distinguish Explain Identify Illustrate	Communicate the key features of Highlight the differences between Make clear or intelligible/state the meaning or purpose of Recognise, establish or select after consideration Use an example to describe or explain something
1	Knowledge What you are expected to know.	List State Define Outline	Make a list of Express, fully or clearly, the details/facts of Give the exact meaning of Give a summary of

CIMA assessment strategy

Each level of the CIMA Professional Qualification culminates in a case study examination, which integrates the knowledge, skills and techniques from across the three pillars into one synoptic capstone examination.

The case study examination is a role simulation, requiring candidates to respond to authentic work-based activities presented during the examination, drawing together learning from each of the three subjects to provide solutions to the issues and challenges presented.

Case study materials are provided in advance of the examination to allow candidates time to immerse themselves in the fictional organisation and industry within which the simulation will occur and to undertake analysis of the organisation's current position prior to the examination.

The case study examination at each level simulates the job role linked to the level and focuses on the core activities which employers expect competent individuals in those roles to routinely perform.

Objective tests for each of the individual subjects ensure the acquisition of the breadth of knowledge, skills and techniques which provide the foundation for approaching the case study examination.

More details of both types of assessment can be found in the examination blueprints at cimaglobal.com/examblueprints.

All assessments are computerised and CIMA works in partnership with Pearson VUE, who have over 20 years of experience in offering electronic testing. There are currently over 5,000 Pearson VUE test centres in 180 countries. Locations of Pearson VUE test centres can be found via the CIMA website.

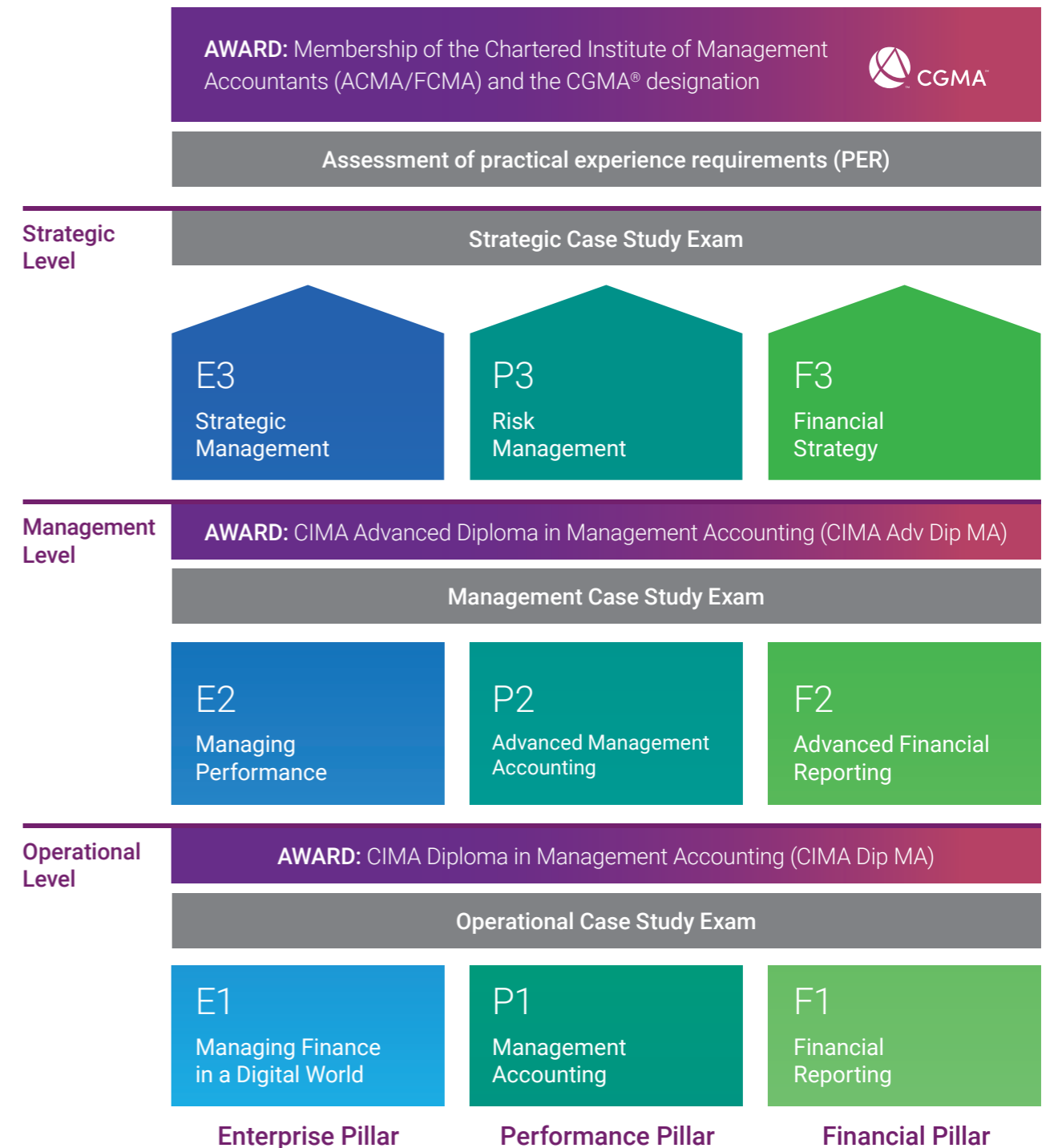
Suggested order of examinations

The case study examination can only be attempted after all objective tests for the level have been completed successfully.

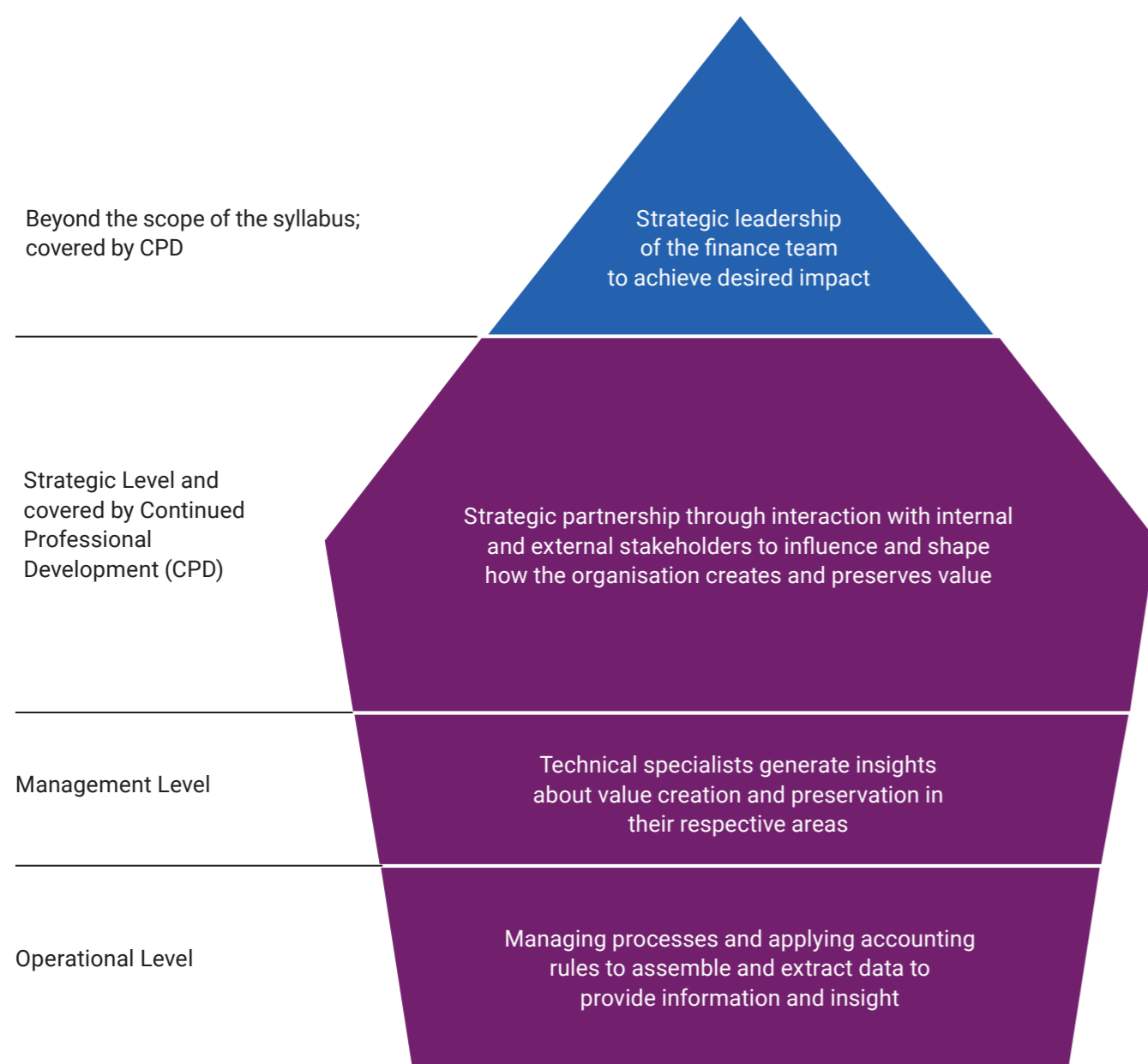
Within each level, students are free to study and take objective tests in any order they wish. CIMA's suggested order of study is to begin with the Enterprise Pillar subject, then move to the Performance Pillar subject and then to the Financial Pillar subject. The syllabus has been designed so that, at each level, the Enterprise Pillar gives the broad context in which the Finance and

Performance Pillars operate. The Performance Pillar provides the context of what management accountants do within an organisation, and the Finance Pillar considers the reporting and the implications of this activity. It is for these reasons that this order is suggested.

For example, CIMA would recommend students studying the Operational Level to start with E1, then move to P1 and then to F1 before sitting the Operational Case Study examination.



Syllabus in the context of the structure and shape of the finance function



Summary of 2019 Syllabus

<p>E3: Strategic Management</p> <ul style="list-style-type: none"> A. The Strategy process B. Analysing the organisational ecosystem C. Generating strategic options D. Making strategic choices E. Strategic control F. Digital strategy 	<p>P3: Risk Management</p> <ul style="list-style-type: none"> A. Enterprise risk B. Strategic risk C. Internal controls D. Cyber risks 	<p>F3: Financial Strategy</p> <ul style="list-style-type: none"> A. Financial policy decisions B. Sources of long-term funds C. Financial risks D. Business valuation
<p>E2: Managing Performance</p> <ul style="list-style-type: none"> A. Business models and value creation B. Managing people performance C. Managing projects 	<p>P2: Advanced Management Accounting</p> <ul style="list-style-type: none"> A. Managing the costs of creating value B. Capital investment decision-making C. Managing and controlling the performance of organisational units D. Risk and control 	<p>F2: Advanced Financial Reporting</p> <ul style="list-style-type: none"> A. Financing capital projects B. Financial reporting standards C. Group accounts D. Integrated reporting E. Analysing financial statements
<p>E1: Managing Finance in a Digital World</p> <ul style="list-style-type: none"> A. Role of the finance function B. Technology in a digital world C. Data and information in a digital world D. Shape and structure of the finance function E. Finance interacting with the organisation 	<p>P1: Management Accounting</p> <ul style="list-style-type: none"> A. Cost accounting for decision and control B. Budgeting and budgetary control C. Short-term commercial decision-making D. Risk and uncertainty in the short term 	<p>F1: Financial Reporting</p> <ul style="list-style-type: none"> A. Regulatory environment of financial reporting B. Financial statements C. Principles of taxation D. Managing cash and working capital

The Operational Level

Operational Level summary

On completion candidates should be able to: work with others in the organisation and use appropriate data and technology; translate medium-term decisions into short-term actionable plans; analyse new situations that arise in the short term to support decisions that create further value for the organisation; evaluate and manage risks associated with the short term; and report on the performance, position and prospects of organisations.

- ▶ Narrow scope
- ▶ Financial but some quantitative non-financial information
- ▶ Past and present
- ▶ Short term
- ▶ Implementation of decisions and analysis of short-term decisions
- ▶ Internal orientation
- ▶ Focus on details rather than the big picture
- ▶ Information and some insight



Summary of the Operational Level Syllabus

E1: Managing Finance in a Digital World

- A. Role of the finance function
- B. Technology in a digital world
- C. Data and information in a digital world
- D. Shape and structure of the finance function
- E. Finance interacting with the organisation

P1: Management Accounting

- A. Cost accounting for decision and control
- B. Budgeting and budgetary control
- C. Short-term commercial decision-making
- D. Risk and uncertainty in the short term

F1: Financial Reporting

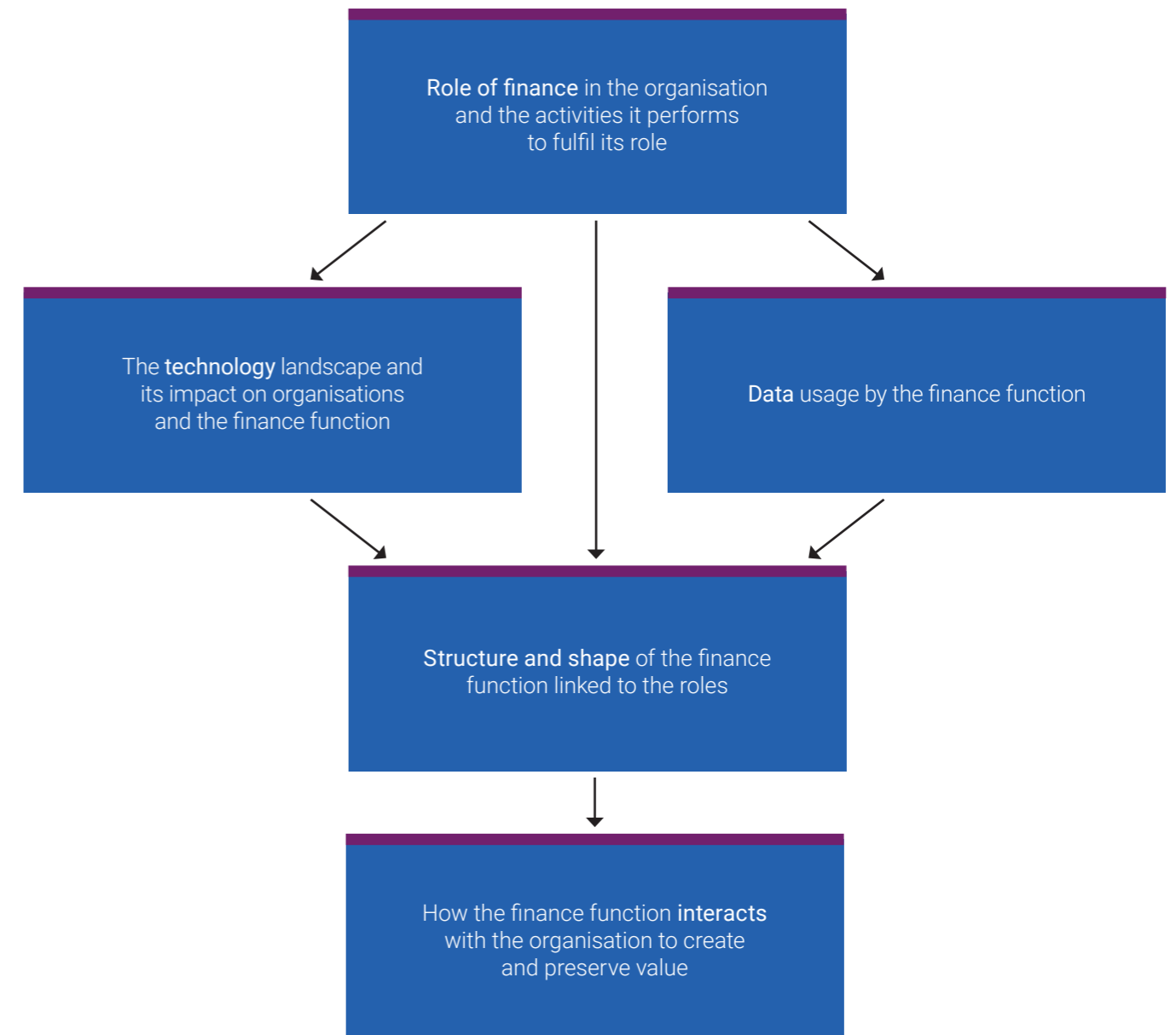
- A. Regulatory environment of financial reporting
- B. Financial statements
- C. Principles of taxation
- D. Managing cash and working capital



E1: Managing Finance in a Digital World

- A. Role of the finance function
- B. Technology in a digital world
- C. Data and information in a digital world
- D. Shape and structure of the finance function
- E. Finance interacting with the organisation

E1: Structure and outline



E1A: Role of the finance function

This section examines the roles that finance plays in organisations and why. It describes in detail the activities that finance professionals perform to fulfil these roles. Consequently, it is the foundation of the whole qualification and answers the question: what do finance professionals do and why? It provides links with other topics within the subject and what is covered in other areas of the Operational Level.

Lead outcome	Component outcome
1. Explain the roles of the finance function in organisations.	<p>Explain how the finance function:</p> <ol style="list-style-type: none"> Enables organisations to create and preserve value Shapes how organisations create and preserve value Narrates how organisations create and preserve value
2. Describe the activities that finance professionals perform to fulfil the roles.	<p>Describe how the finance function:</p> <ol style="list-style-type: none"> Collates data to prepare information about organisations Provides insight to users by analysing information Communicates insight to influence users Supports the implementation of decisions to achieve the desired impact Connects the different activities connect to each other

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> The fast-changing and unpredictable contexts in which organisations operate Enabling value creation through planning, forecasting and resource allocation Shaping value creation through performance management and control Narrating the value creation story through corporate reporting The role of ethics in the role of the finance function 	<p>Describe the increasingly disruptive contexts in which organisations and their finance teams operate and how these contexts shape the role of finance. Take each role and show how finance performs it in a typical organisational setting. The coverage should be introductory and brief. It is meant to set the scene for subsequent sections and draw a link between the roles and the topics that will be covered in other areas of the Operational Level.</p>
<ul style="list-style-type: none"> How data is collected, cleaned and connected by finance Types of analysis to produce insights How finance communicates to influence key stakeholders (audiences, frequency, format, etc.) How finance uses resource allocation and performance management to enable organisations to achieve their objectives Potential impact of technology 	<p>Use “information to impact” framework to describe the primary activities finance professionals perform. Relate it to how data is generated, transformed and used. Link it to how technology could be used to improve the productivity of finance professionals in these areas and the threat of automation.</p>

E1B: Technology in a digital world

This section focuses on the technologies that define and drive the digital world in which finance operates. It provides awareness of the technologies used in organisations and deepens understanding of the impact of the technologies on what finance does. It draws on the issues raised in the previous section about the role of finance and the activities finance performs to fulfil these roles. Given that the digital world is underpinned by technology and the use of data, this section provides a foundation to the next section on data.

Lead outcome	Component outcome	Topics to be covered	Explanatory notes
1. Outline and explain the technologies that affect business and finance.	a. Outline the key features of the fourth industrial revolution. b. Outline and explain the key technologies that define and drive the digital world.	<ul style="list-style-type: none"> • Characteristics and dynamics of the fourth industrial revolution • Cloud computing • Big data analytics • Process automation • Artificial intelligence • Data visualisation • Blockchain • Internet of things • Mobile • 3-D printing 	The aim is to create awareness of the technologies that drive the digital world and how they interact with each other. The technologies outlined by the major advisory firms and the World Economic Forum digital transformation initiative provide the material on which learning and related activities can be based.
2. Examine how the finance function uses digital technologies to fulfil its roles.	Examine how finance uses the following to guide how it performs its roles: <ul style="list-style-type: none"> a. Digital technology b. Digital mindsets c. Automation and the future of work d. Ethics of technology usage 	<ul style="list-style-type: none"> • How finance uses technologies listed above • Areas of finance susceptible to automation and why • New areas for finance to focus on • Digital mindsets for finance • Ethics of the use of technology 	Examine how finance professionals use the relevant technologies to fulfil their roles. Explain how the technologies affect various activities finance professionals perform in the “information to impact” framework. The intention is to move from creating awareness to generating understanding of how finance can use these technologies to increase its value and relevance to organisations.

E1C: Data and information in a digital world

This section draws out one of the major implications of using technology in organisations and the finance function – namely the collection and processing of information can be done more effectively by machines rather than by people. It asserts that the role of finance professionals should be to use data to create and preserve value for organisations. Five ways of using data are examined. The key competencies required to use data in these ways are also highlighted. The primary objective is to help finance professionals understand what they can do with data and how to build the skills needed to use data.

Lead outcome	Component outcome
1. Describe the ways in which data is used by the finance function.	Identify the ways in which the finance function uses data: <ol style="list-style-type: none"> In a general sense Specifically in each of the primary activities of finance
2. Explain the competencies required to use data to create and preserve value for organisations.	Explain the competencies that finance professionals need in: <ol style="list-style-type: none"> Data strategy and planning Data engineering, extraction and mining Data modelling, manipulation and analysis Data and insight communication

Topics to be covered	Explanatory notes
Using data for: <ul style="list-style-type: none"> Decision-making Understanding the customer Developing customer value proposition Enhancing operational efficiency Monetising data Ethics of data usage 	Build on the previous section on technology to explain why, in the digital world, finance professionals must place more focus on using information than on collecting and/or processing information. Outline and describe the various uses of information. Link them to the primary activities that the finance function performs and to the topics to be covered in other modules of the Operational Level.
<ul style="list-style-type: none"> Assessment of data needs Extraction, transformation and loading (ETL) systems Business Intelligence (BI) systems Big data analytics Data visualisation 	Highlight and explain the data competencies required in the digital world. Locate where finance has a competitive advantage and where finance will need to work with data scientists.

E1D: Shape and structure of the finance function

This section brings together the implications of the previous sections. It reveals how the finance function is structured and shaped. This structure and shape enables finance to perform its role in the organisation and with other internal and external stakeholders. In this sense, it prepares candidates for the next section, which looks at how finance interacts with key internal stakeholders in operations, marketing and human resources.

Lead outcome	Component outcome
1. Describe the structure and shape of the finance function.	Describe the: <ol style="list-style-type: none"> Evolution of the shape of the finance function Shape of the finance function in the digital era
2. Explain what each level of the finance function does.	Explain the activities of: <ol style="list-style-type: none"> Finance operations Specialist areas including financial reporting and financial planning and analysis (FP&A) Strategic partnering for value Strategic leadership of the finance team

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Structure of the finance function from the roles that generate information to the roles that turn information into insight and communicate insight to decision-makers Hierarchical shape of finance function Shared services and outsourcing of finance operations Retained finance Automation and diamond shape of finance function 	Introduce candidates to the structure of the finance function and outline the broad areas of finance such as finance operations, external reporting, financial planning and analysis (FP&A), decision support etc. Describe the evolving shape of the finance function from the triangle to the diamond shape. Link the description to the impact of digital technology and automation on the finance function.
<ul style="list-style-type: none"> Finance operations to generate information and preliminary insight FP&A, taxation, corporate reporting, decision support to produce insight Business partnering to influence organisation to make appropriate decisions Leading the finance team to create the required impact for the organisation 	The focus is the diamond shape and the four levels within this shape. Explain what each level does, the relationship between the levels, and the link between the levels and the basic finance activities covered under the role of finance.

E1E: Finance interacting with the organisation

The finance function is not the only area of activity in organisations. Finance joins with others to create and preserve value for their organisations. This section brings together what has been learned in the previous section to describe how finance can interact with other parts of the organisation to achieve the objectives of finance, those other areas and crucially the objectives of the whole organisation. The aim is to show how finance can work collaboratively in a connected (and joined-up) organisation and not in isolation.

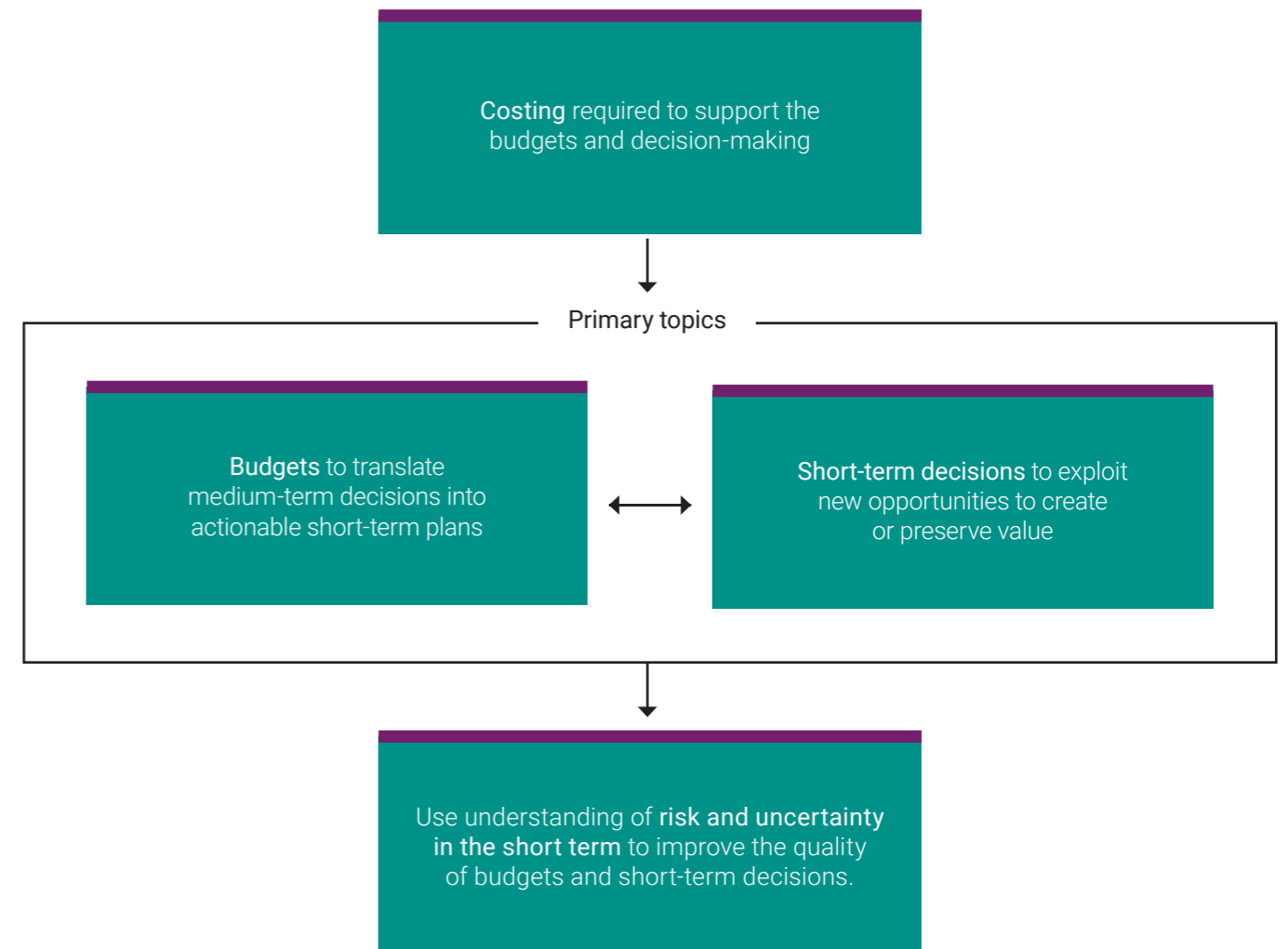
Lead outcome	Component outcome
1. Describe how the finance function interacts with operations.	Describe: <ol style="list-style-type: none"> Main role of operations Areas of interface with finance Key performance indicators
2. Describe how the finance function interacts with sales and marketing.	Describe: <ol style="list-style-type: none"> Main role of sales and marketing Areas of interface with finance Key performance indicators
3. Describe how the finance function interacts with human resources.	Describe: <ol style="list-style-type: none"> Main role of human resources Areas of interface with finance Key performance indicators
4. Describe how the finance function interacts with IT.	Describe: <ol style="list-style-type: none"> Main role of IT Areas of interface with finance Key performance indicators

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Process management Product and service management Supply chain management 	<p>Describe how finance plays its role by interacting with the rest of the organisation. Bring together the issues raised in the previous sections and link them to what the other areas of the organisations do. For example, address how finance and marketing interact using data and collaborative technology to achieve organisational goals and the individual functional goals of both finance and marketing. Describe how the use of KPIs influence these interactions and how the KPIs of finance and these areas can be aligned to ensure they work together effectively.</p>
<ul style="list-style-type: none"> Market segmentation Big data analytics in marketing Channel management Sales forecasting and management 	
<ul style="list-style-type: none"> Staff acquisition Staff development Performance management Motivation and reward systems 	
<ul style="list-style-type: none"> IT infrastructure IT systems support Costs and benefits of IT systems 	

P1: Management Accounting

- A. Cost accounting for decision and control
- B. Budgeting and budgetary control
- c. Short-term commercial decision-making
- D. Risk and uncertainty in the short term

P1: Structure and outline



P1A: Cost accounting for decision and control

This section is about understanding why costing is done and what it is used for. It introduces candidates to the basic building blocks of costing and how to apply them in the costing methods and techniques organisations use. In a fast-changing digital world this understanding is critical and can enable candidates to develop their own ways of calculating costs when existing methods are no longer appropriate. Digital costing is introduced in this section.

Lead outcome	Component outcome
1. Distinguish between the different rationales for costing.	a. Define costing b. Distinguish between the rationales for costing
2. Apply the main costing concepts to organisations and cost objects.	a. Explain the main costing concepts b. Apply costing concepts to different organisations and cost objects
3. Apply costing methods to determine the costs for different purposes.	Apply the following: a. Cost accumulation, allocation, apportionment and absorption b. Standard costing c. Variance analysis (without mix and yield variance) d. Activity based costing e. Digital costing

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Inventory valuation • Profit reporting • Cost management and transformation • Decision-making 	This seeks to address the following pertinent questions: What are reasons for calculating costs? What types of costs are appropriate for a particular purpose and why?
<ul style="list-style-type: none"> • Cost elements • Costs structure • Cost behaviour • Cost drivers • Costing applied to different types of organisations • Costing applied to digital cost objects 	Examine the basic building blocks of costing and how they apply to different types of organisations and operating contexts (e.g., manufacturing and service sectors). How has the digital world affected the nature of these building blocks of costing?
<ul style="list-style-type: none"> • Trace, classify and allocate costs • Marginal costing • Absorption costing • Price and rate variances • Usage and efficiency variances • Interpretation of variances • Product and service costing using ABC • Advantages of ABC over other costing systems • Features of digital costing 	Investigate how costs are traced, classified, accumulated, allocated, apportioned and absorbed to arrive at the costs of a product, service or other cost object. Calculate the costs of products or services using various costing methods. Determine which costing methods are appropriate and why?

P1B: Budgeting and budgetary control

Taken together, budgeting and budgetary control is one way the finance function enables and shapes how organisations create and preserve value. This section examines the various reasons organisations prepare and use budgets, how the budgets are prepared, the types and sources of data, the technologies used to improve the quality of budgets, how budgets are implemented and the impact on the people who work with the organisation.

Lead outcome	Component outcome
1. Distinguish between the different rationales for budgeting.	<ol style="list-style-type: none"> Explain the role of budgets. Distinguish between the different rationales for budgeting.
2. Prepare budgets.	<ol style="list-style-type: none"> Explain forecasting and its relationship with budgeting. Prepare master budgets. Conduct what-if analysis in budgeting. Describe the technologies available for improving budgeting.
3. Discuss budgetary control.	<p>Discuss:</p> <ol style="list-style-type: none"> The concept of budgetary control Human dimensions of budgeting

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Planning Communication Coordination Motivation Control 	<p>Why do organisations prepare budgets? In what ways are the different rationales for preparing budgets compatible with each other? How do organisations get the most out of the budgeting process?</p>
<ul style="list-style-type: none"> Time series and trend analysis to forecast sales volumes Components of master budgets and their interaction with each other Limiting factors Stress testing budgets Big data analytics and budgets Alternative approaches to budgeting 	<p>What is the process by which budgets are prepared? What types of budgets are required by organisations? What data do they use and where do they get the data from? How are those budgets prepared and presented? What technologies are available for improving the quality of the budgets?</p>
<ul style="list-style-type: none"> Feedback and feedforward control Flexed budgets Target setting and motivation Controllable and uncontrollable outcomes Dysfunctional behaviours in budgeting Ethical considerations in budgeting 	<p>What is budgetary control? Describe and discuss how and why the budgetary control system provides feedback and feedforward to the organisation. What are the behavioural impacts of budgetary control and how are they managed?</p>

P1C: Short-term commercial decision-making

Organisations cannot foresee every opportunity that might arise during their operations, so they need mechanisms by which to identify and take advantage of these opportunities as they arise. The primary objective of this section is to guide candidates in how to do this in the short term through effective decision-making. The finance function supports such decisions (e.g., pricing and product choice) using techniques such as relevant revenue and cost analysis and break-even analysis. Candidates are introduced to these techniques and the concepts that underpin the techniques. They are expected to be able to apply the techniques to support short-term decision-making.

Lead outcome	Component outcome
1. Describe the main types of short-term decisions made by organisations.	a. Describe pricing and revenue maximising decisions. b. Describe product decisions.
2. Explain the underlying concepts used for short-term decision-making.	a. Explain the objectives of decision-making. b. Explain the underlying concepts of short-term decision-making.
3. Apply appropriate techniques to support short-term decisions.	Apply the following to support short-term decision-making: a. Relevant cost analysis b. Break-even analysis c. Product mix decisions with constraints d. Data and technology

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Marginal and full cost recovery for pricing decisions • Differences in pricing and revenue maximisation for the short term and long term • Product mix 	Describe the types of short-term decisions organisations make and the circumstances that give rise to them. What do these short-term decisions seek to achieve? How important are they to performance of organisations? The emphasis is on both revenue and costs.
<ul style="list-style-type: none"> • Implications of commercial decision-making in the short term • Relevant revenues • Relevant costs • Difference with profit reporting 	What are the objectives and underlying concepts that are used to guide short-term decision-making and why? Distinguish between those concepts of revenue, costs and information from other concepts.
<ul style="list-style-type: none"> • Make or buy decisions • Discontinuation decisions • Multi-product break-even analysis • Use of data and technology to analyse product mix decisions • Ethical considerations in short-term decision-making 	Use data (financial and non-financial) and the appropriate concepts and techniques to support decision-making to achieve organisational objectives of value creation and preservation.

P1D: Risk and uncertainty in the short term

Budgets and decisions focus on the future. This introduces uncertainties and risks that need to be identified, assessed and managed. The aim of this section is to help candidates identify, assess and manage the risks and uncertainties associated with the short term.

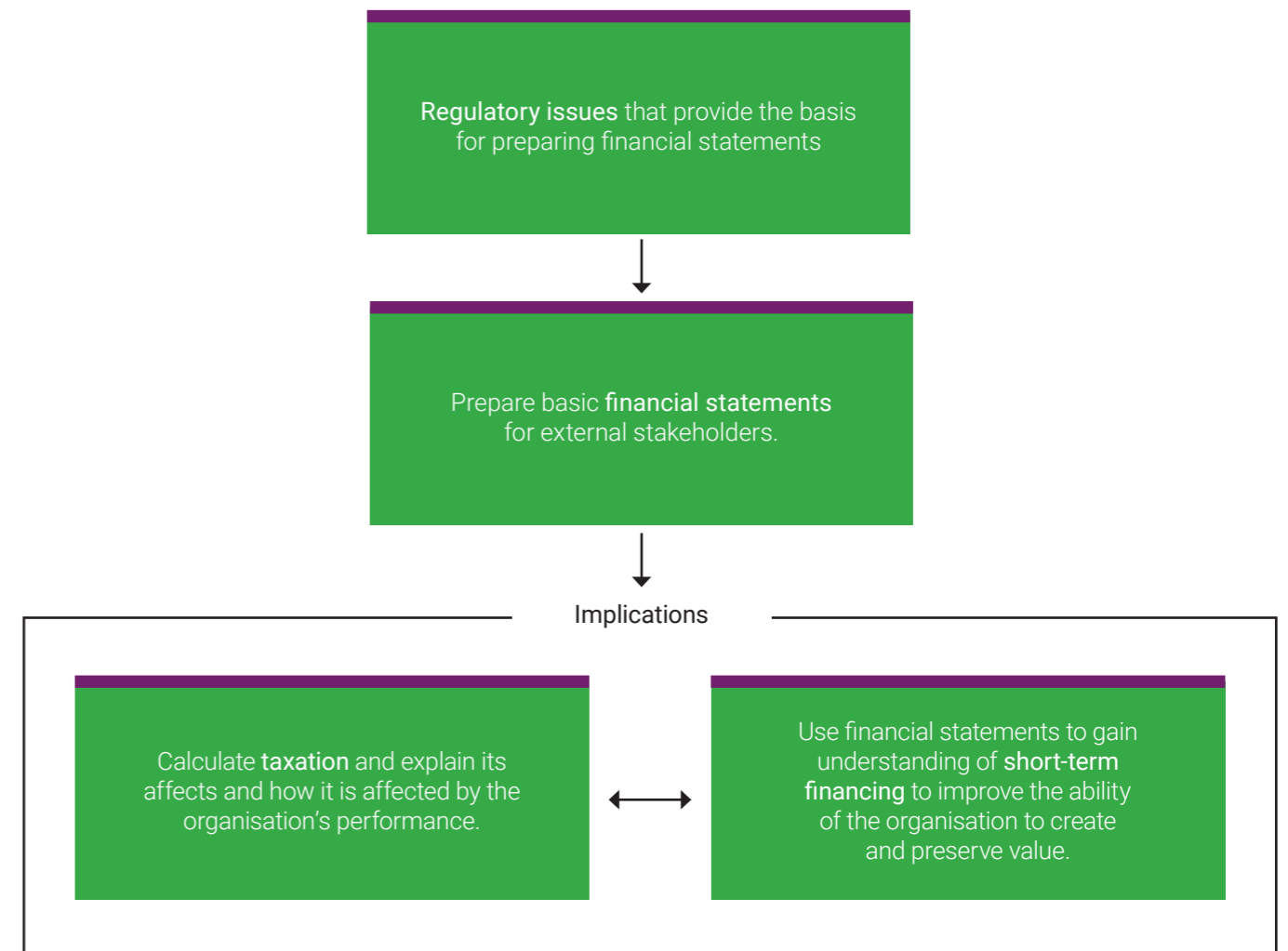
Lead outcome	Component outcome
1. Apply basic risk management tools in the short term.	<ol style="list-style-type: none"> Explain nature of risk and uncertainty in short term. Apply basic sensitivity analysis to budgeting and short-term decision-making.

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Stress testing Sensitivity and what-if analysis Probability distributions Decision trees 	What types of risks and uncertainties do organisations face when preparing and implementing budgets and when making short-term decisions? How are those risks and uncertainties identified, assessed and managed?

F1: Financial Reporting

- A. Regulatory environment of financial reporting
- B. Financial statements
- C. Principles of taxation
- D. Managing cash and working capital

F1: Structure and outline



F1A: Regulatory environment of financial reporting

The preparation of financial statements is regulated by laws, standards, generally accepted accounting principles and by codes. The regulations ensure that financial statements of different entities are comparable and that they present a reasonably accurate picture of the performance, position and prospects of the organisation to their users. This section covers who the regulators are, what they do and why and how the regulations are applied. The objective is to provide candidates with a strong foundation for preparing and interpreting financial statements.

Lead outcome	Component outcome
1. Identify regulators and describe their role.	a. Identify the major regulators. b. Describe what they do. c. Explain why they regulate financial reporting.
2. Apply corporate governance principles to financial reporting.	a. Describe the role of the board in corporate governance. b. Apply corporate governance and financial stewardship principles to financial reporting.

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • National regulators • IFRS foundation • IASB • International Organisation for Securities Commissions (IOSCO) • Standard setting process • Differences between rules-based and principles-based regulations • Others such as International Integrated Reporting Council (IIRC) 	Who are the regulators who determine how financial statements are prepared? What do they do? What value do they contribute to the production of financial statements? Coverage will include national and international regulators, stock exchange regulators and various accounting and financial reporting standards boards and major influential bodies like the IIRC.
<ul style="list-style-type: none"> • Need and scope for corporate governance regulations • Different approaches to corporate governance regulations 	Boards have overall responsibility for ensuring that executives of organisations create value for their stakeholders and safeguard their assets. The role of boards is incorporated in various corporate governance codes. What are the main principles as they apply to financial reporting and the oversight of boards?

F1B: Financial statements

One of the roles of finance is to narrate how organisations create and preserve value. The financial statements are the means by which narration is done to particular audiences. This section enables candidates to prepare basic financial statements using financial reporting standards. It covers the main elements of the financial statements, what they intend to convey, the key financial reporting standards and how they are applied to prepare financial statements.

Lead outcome	Component outcome
1. Identify the main elements of financial statements.	a. Identify the main elements of financial statements contained in the IFRS conceptual framework.
2. Explain specific financial reporting standards.	Explain the specific financial reporting standards related to: <ol style="list-style-type: none"> Non-current assets Leases Impairment Inventory Events after the period
3. Apply financial reporting standards to prepare basic financial statements.	Apply financial reporting standards to prepare: <ol style="list-style-type: none"> Statement of financial position Statement of comprehensive income Statement of changes in equity Statement of cash flows

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Objectives and overall purpose of financial reporting Qualitative characteristics of financial information Reporting entity and its boundaries Recognition (and derecognition) Measurement bases Presentation and disclosure Concept of capital maintenance 	This sets the main principles that underpin the preparation of financial statements. The focus is on the main principles. No detailed treatments are expected.
<ul style="list-style-type: none"> IAS 16 – Property, Plant & Equipment IFRS 5 – Non-current Assets Held for Sale or Discontinued Operations IFRS 16 – Leases IAS 36 – Impairment of Assets IAS 2 – Inventories IAS 10 – Events After the Reporting Period 	Examine the requirements for how major items of the financial statements are to be recognised, measured and disclosed. This covers the main areas and not specialist topics.
<ul style="list-style-type: none"> IAS 1 – Presentation of Financial Statements IAS 7 – Statement of Cash Flows 	Give hands-on experience of preparing basic financial statements by bringing in all the elements.

F1C: Principles of taxation

One of the implications of value creation is how that value is distributed to different stakeholders. Taxation is part of this distribution. This section helps candidates distinguish between types of taxes and to calculate corporate taxes. In a digital world where revenue is earned through online trading that spans national boundaries, candidates are introduced to the issues relating to taxation across international borders and the ethics of taxation.

Lead outcome	Component outcome
1. Distinguish between different types of taxes.	Distinguish between <ol style="list-style-type: none"> Direct versus indirect Corporate versus personal
2. Calculate tax for corporates.	<ol style="list-style-type: none"> Explain the basis of taxation Explain the difference between accounting profit and taxable profit Calculate corporate tax
3. Explain some relevant issues that affect taxation.	Explain: <ol style="list-style-type: none"> Taxation across international borders Ethics of taxation

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Features of direct and indirect taxes Features of corporate and personal taxes 	Gives a broad overview of the different types of taxes, who they affect and why they are used.
<ul style="list-style-type: none"> Exempt income Income taxed under different rules Allowable expenditure Capital allowances Reliefs Tax on sale of asset 	The focus shifts here to corporate taxation. The main area covered is the difference between accounting profit and profit for taxation purposes. No national law is applied here. The main thing here is coverage and application of principles.
<ul style="list-style-type: none"> Corporate residence Types of overseas operations (e.g., subsidiary or branch) Double taxation Transfer pricing Tax avoidance Tax evasion 	Given the increase of cross-border trading and revenue generation in the digital world what are the key issues affecting international taxation? What are the ethical issues that arise in the computation and payment of taxes?

F1D: Managing cash and working capital

Cash is the life blood of any organisation. The ability to provide cash, at the appropriate cost when it is needed is one of the key contributions that finance makes to organisations. It fulfils finance's role of enabling organisations to create and preserve value. This section provides candidates with the tools to ensure that the organisation has enough cash to ensure its continuing operations.

Lead outcome	Component outcome
1. Distinguish between the types and sources of short-term finance.	Distinguish between <ol style="list-style-type: none"> Types of short-term finance Financial institutions
2. Explain and calculate operating and cash cycles.	Explain and calculate <ol style="list-style-type: none"> Operating cycle Cash flow cycle
3. Apply different techniques used to manage working capital.	<ol style="list-style-type: none"> Apply policies relating to elements of operating and cash cycle Prepare forecasts Explain risks relating to working capital

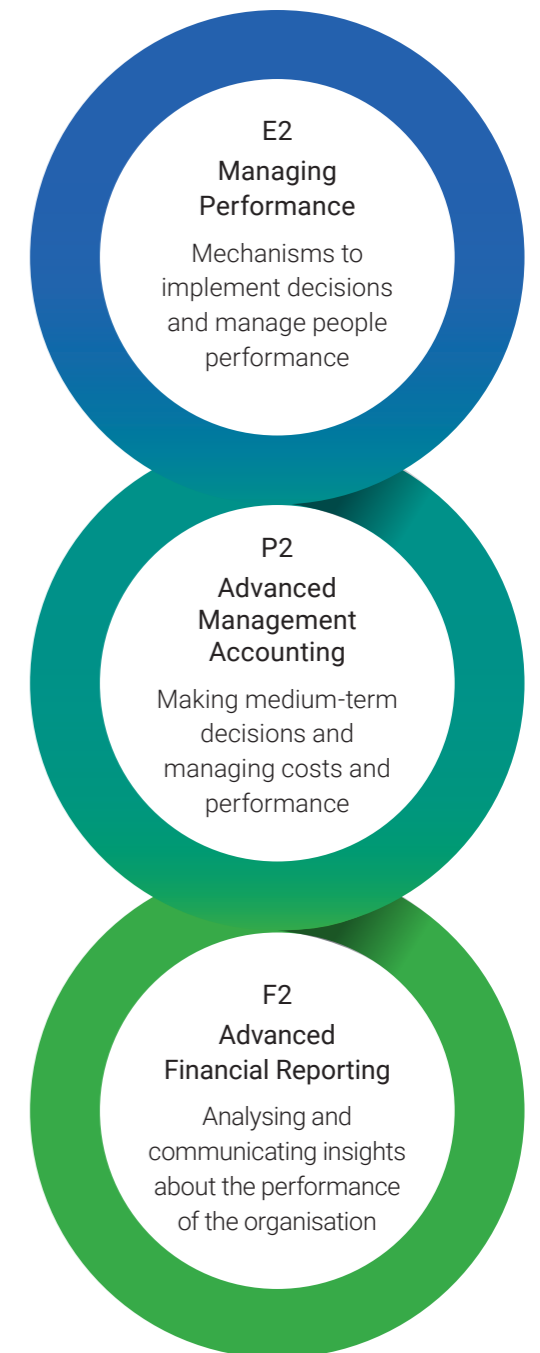
Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Trade payables Overdrafts Short-term loans Debt factoring Trade terms Trade partners Banks 	What are the main types of funds needed for the short term? Where can those funds be accessed? How does one determine which type or source of finance is appropriate?
<ul style="list-style-type: none"> Inventory days Trade receivable days Trade payable days 	The operating and cash cycle is one of the main means of putting together various elements of cash and near-cash items in a coherent manner to explain the cash needs of the organisation. What are these elements? How do they affect the availability and adequacy of cash for short-term operations?
<ul style="list-style-type: none"> Receivables management Payables management Inventory management Risk of overtrading Short-term cash flow forecasting Investing short-term cash 	What are the policies that organisations should put in place to manage working capital? How is the appropriate level determined, forecasted and accessed? What are the risks associated with accessing such funds?

The Management Level

Management Level summary

On completion, candidates should be able to use data and relevant technology to: manage organisational and individual performance; translate long-term decisions into medium-term plans; allocate resources to implement decisions; monitor and report implementation of decisions; provide feedback up and down the organisation; and prepare and interpret financial statements to show the performance, position and prospects of their organisations.

- ▶ Wider scope
- ▶ Integrated within limits
- ▶ Financial and quantitative non-financial
- ▶ Link present to past and future
- ▶ Medium term
- ▶ Monitor implementation of decisions
- ▶ Internal (whole organisation)
- ▶ Lesser detail but broader picture
- ▶ Insight



Summary of the Management Level Syllabus

E2: Managing performance

- A. Business models and value creation
- B. Managing people performance
- C. Managing projects

P2: Advanced management accounting

- A. Managing the costs of creating value
- B. Capital investment decision-making
- C. Managing and controlling the performance of organisational units
- D. Risk and control

F2: Advanced financial reporting

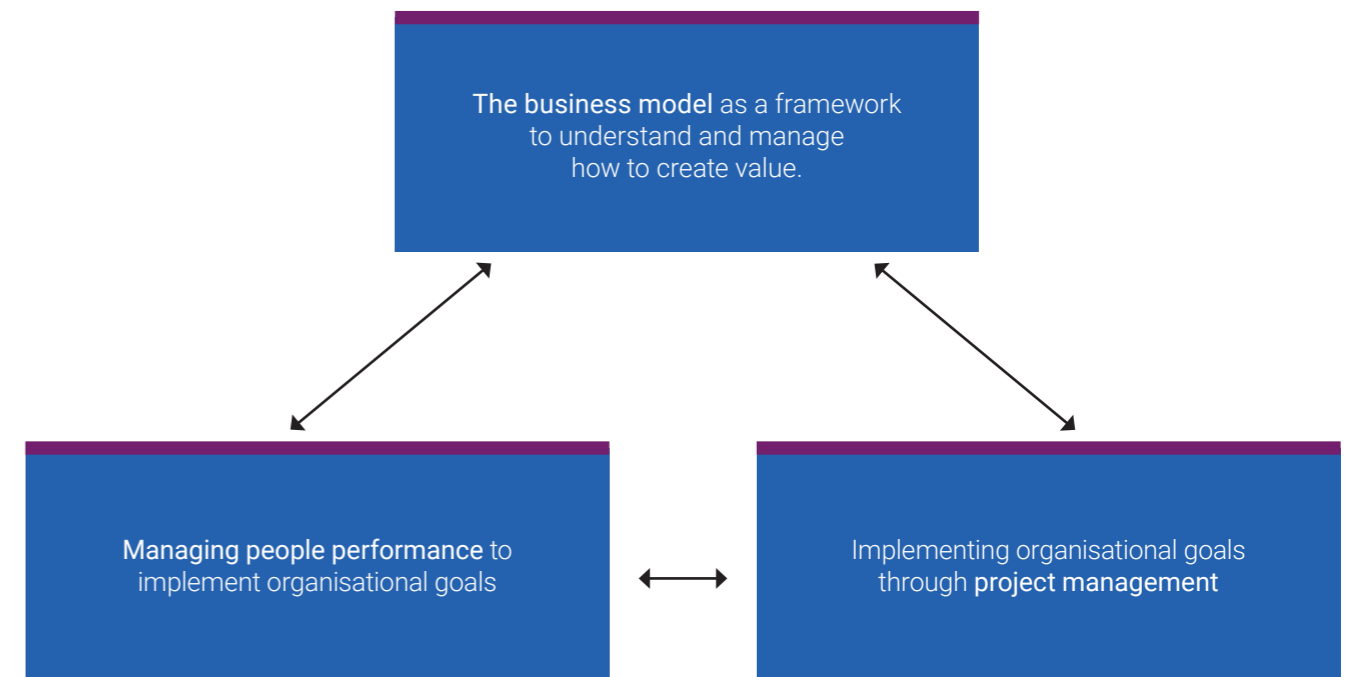
- A. Financing capital projects
- B. Financial reporting standards
- C. Group accounts
- D. Integrated reporting
- E. Analysing financial statements



E2: Managing Performance

- A. Business models and value creation
- B. Managing people performance
- C. Managing projects

E2: Structure and outline



E2A: Business models and value creation

The digital world is characterised by disruptions to business models by new entrants and incumbents who seek superior performance and competitive advantage. This section covers the fundamentals of business models and how new business and operating models can be developed to improve the performance of organisations.

Lead outcome	Component outcome
1. Explain the ecosystems of organisations.	Explain: <ol style="list-style-type: none"> Markets and competition Society and regulation
2. Explain the elements of business models.	Explain the following <ol style="list-style-type: none"> Concept of value and the business model Defining value Creating value Delivering value Capturing and sharing value
3. Analyse new business models in digital ecosystems.	<ol style="list-style-type: none"> Analyse digital business models and their related operating models

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Definition of ecosystems Participants and roles Interactions and dynamics Rules and governance Technology Risks and opportunities 	What is the nature of the ecosystem? What are its critical elements and how do they interact with each other? How do they impact the organisation?
<ul style="list-style-type: none"> Stakeholders and relevant value Stakeholder analysis Resources, process, activities and people in creating value Products, services, customer segments, channels and platforms to deliver value Distribution of value to key stakeholders 	This section covers the concept of value from different stakeholder perspectives. It examines the various elements of the business model, their interaction with each other and their implication for costs and revenue. The section also covers the connectivity and alignment between the ecosystem and the elements of the business model.
<ul style="list-style-type: none"> Disruption Ways to build disruptive and resilient business models Creating digital operating models Types of digital operating models 	New business models have evolved to disrupt industries and their ecosystems. What are they? How have they redefined their industries?

E2B: Managing people performance

Human capital is one of the key intangible assets of organisations in an age where intangible assets are the dominant means by which organisations create and preserve value. Leadership is a crucial means for managing individual performance and the relationships between people. This section examines how different styles of leadership can be used to improve the performance of individuals so they can achieve organisational goals.

Lead outcome	Component outcome
1. Compare and contrast different types of leadership and management styles.	Compare and contrast: <ol style="list-style-type: none"> Different leadership concepts Types of leadership Leadership in different contexts
2. Analyse individual and team performance.	Analyse the following: <ol style="list-style-type: none"> Employee performance objective setting Employee appraisals Coaching and mentoring Managing workplace environment
3. Explain how to manage relationships.	Explain the following in the context of managing relationships: <ol style="list-style-type: none"> Building and leading teams Communications Negotiations Managing conflicts

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Power, authority, delegation and empowerment Contingent and situational leadership Transactional and transformational leadership Leadership of virtual teams Leadership and ethics 	Leadership is key to performance management. In a digital world it is an area that is least susceptible to automation. What constitutes leadership? What are the different types of leadership? How does one choose a style of leadership that is appropriate for the particular context?
<ul style="list-style-type: none"> Target setting and employee alignment Employee empowerment and engagement Performance reporting and review Rewards and sanctions in managing performance Different approaches to coaching and mentoring to improve performance Diversity and equity practices Health and safety Organisational culture 	Individual performance is achieved through structured processes and approaches. These include objective setting and regular review of performance against objectives. How should these processes be developed to ensure employee engagement, empowerment and alignment? How should the work environment be configured to enhance performance? What is the role of the leader in coaching and mentoring for high performance?
<ul style="list-style-type: none"> Characteristics of high-performing teams Motivating team members Communication process Digital tools for communication Negotiation process Strategies for negotiation Sources and types of conflicts Strategies for managing conflicts Leadership and ethics 	Individuals work in teams and their performance contributes to the team performance. How should teams be built and led to improve performance? How is collaboration enhanced using technology? How can conflicts be managed?

E2C: Managing projects

Projects have become pervasive means by which organisations execute their strategies. This section shows candidates how to use project management concepts and techniques to implement strategies effectively and efficiently. It is linked to capital investment decision-making that is covered in other areas of the Management Level.

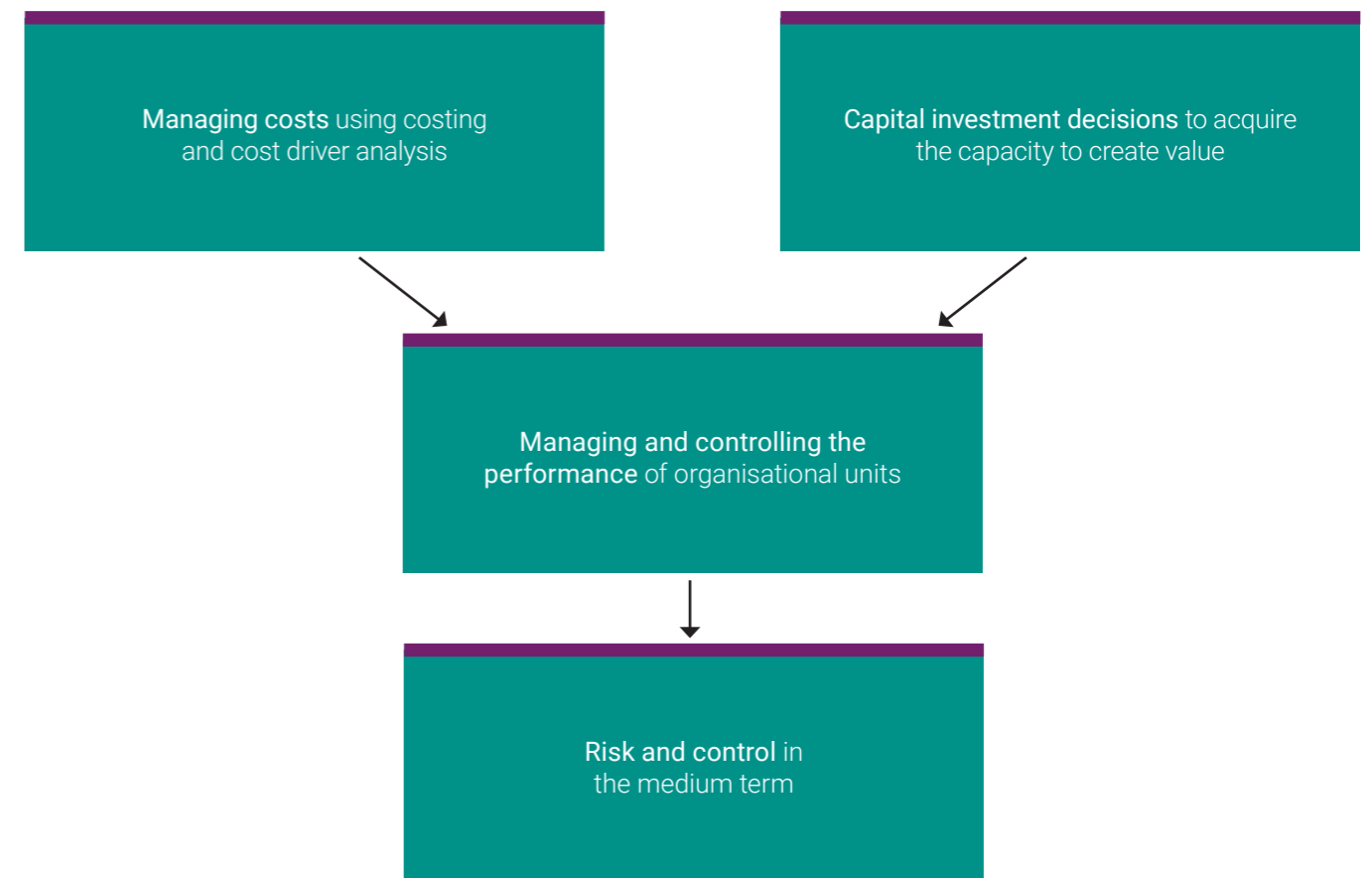
Lead outcome	Component outcome
1. Describe the concepts and phases of projects.	Describe the following: <ol style="list-style-type: none"> Project objectives Key stages of the project life cycle Project control
2. Apply tools and techniques to manage projects.	Apply the following to manage projects: <ol style="list-style-type: none"> Project management tools and techniques Project risk management tools
3. Explain the concepts of project leadership.	Explain <ol style="list-style-type: none"> Project structure Roles of key project personnel How to manage project stakeholders

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Overall project objectives Objectives relating to time, cost and quality Purpose and activities associated with key stages of the project life cycle 	<p>Projects are the primary means by which many organisations implement strategic decisions. It is also how organisations ensure cross-functional collaboration. This section covers the key elements of project management. It seeks to provide both awareness and understanding of the project management process and the ability to apply tools and techniques to participate in projects and to identify, evaluate and manage project risks. The objective is not to train project managers but to equip finance people to work within projects and to lead some parts of projects.</p>
<ul style="list-style-type: none"> Workstreams Work breakdown schedule, Gantt charts, network analysis PERT charts Sources and types of project risks Scenario planning Managing project risks Project management software 	
<ul style="list-style-type: none"> Project structures and their impact on project performance Role of project manager Role of key members of project team Life cycle of project teams Managing key stakeholders of projects Leading and motivating project team 	

P2: Advanced Management Accounting

- A. Managing the costs of creating value
- B. Capital investment decision-making
- C. Managing and controlling the performance of organisational units
- D. Risk and control

P2: Structure and outline



P2A: Managing the costs of creating value

Cost management and transformation are priorities for organisations facing intense competition. This section examines how to use cost management, quality and process management, and value management to transform the cost structures and drivers to provide organisations with cost advantage.

Lead outcome	Component outcome
1. Apply cost management and cost transformation methodology to manage costs and improve profitability.	Apply the following to manage costs and improve profitability: <ol style="list-style-type: none"> Activity based management (ABM) methodology Cost transformation techniques
2. Compare and contrast quality management methodologies.	Compare and contrast: <ol style="list-style-type: none"> Just-in-time (JIT) Quality management Kaizen Process re-engineering
3. Apply value management techniques to manage costs and improve value creation.	Apply the following to manage costs and value creation: <ol style="list-style-type: none"> Target costing Value chain analysis Life cycle costing

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Engendering a cost-conscious culture Logic of ABC as the foundation of managing costs ABM to transform efficiency of repetitive overhead activities ABM to analyse and improve customer profitability ABM to analyse and improve channel performance 	One of the reasons for calculating costs is to enable organisations to manage and possibly transform their costs. ABM is a key technique that is used to achieve this objective because of its link to ABC. This revolves around the logic of ABC that links costs to resource consumption and levels of activity and is related to the business model framework. Customer and channel analysis have become very important in the digital world – particularly as customers shift from products and services to experience. How profitable are the segments and channels they use?
<ul style="list-style-type: none"> Impact of JIT and quality management on efficiency, inventory and costs Benefits of JIT and TQM Kaizen, continuous improvement and cost of quality reporting Elimination of non-value adding activities and the reduction of costs using process re-engineering 	Quality management is an important part of managing and transforming costs. What are the key methodologies? How do they affect the costs of products, services and the channels that are used to deliver them?
<ul style="list-style-type: none"> Determination of target costs from target prices Components of the value chain Profitability along the value chain Life cycle costing and its implication for market strategies 	Cost transformation must always be linked to the value that organisations create. This part provides the link between costs and value.

P2B: Capital investment decision-making

Organisations have to allocate resources and key strategic initiatives to ensure that their strategies are properly implemented. Capital investment decision-making is the primary means by which such resources are allocated between competing needs. This section covers the criteria, process and techniques that are used to decide which projects to undertake. Of particular interest is the financial appraisal of digital transformation projects.

Lead outcome	Component outcome
1. Apply the data required for decision-making.	Apply the following for decision-making: <ol style="list-style-type: none"> Relevant cash flows Non-financial information
2. Explain the steps and pertinent issues in the decision-making process.	Explain: <ol style="list-style-type: none"> Investment decision-making process Discounting Capital investments as real options
3. Apply investment appraisal techniques to evaluate different projects.	Apply the following to evaluate projects: <ol style="list-style-type: none"> Payback Accounting rate of return IRR NPV
4. Discuss pricing strategies.	Discuss: <ol style="list-style-type: none"> Pricing decisions Pricing strategies

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Incremental cash flows Tax, inflation and other factors Perpetuities Qualitative issues Sources and integrity of data Role of business intelligence systems 	The quality of decisions depends on the quality and type of data that is available to decision-makers. What type of data do decision-makers need for medium-term decisions? Where do they get this data? In a digital world this would come from data lakes through to data warehouses and business intelligence systems.
<ul style="list-style-type: none"> Origination of proposals, creation of capital budgets, go/no go decisions Time value of money Comparing annuities Profitability index for capital rationing Decision to make follow-on investment, abandon or wait (capex as real options) 	What are the steps in the investment decision-making process for simple as well as complex decisions? What key concepts underpin the techniques that are used? What are the criteria for accepting projects? How is uncertainty dealt with?
<ul style="list-style-type: none"> Process and calculation Strengths and weaknesses Appropriate usage Use in prioritisation of mutually exclusive projects 	This part covers a straight forward application of the techniques used to appraise projects. These should be extended to deal with the evaluation of digital transformation projects that do not have the same profile as other capital projects.
<ul style="list-style-type: none"> Pricing decisions for maximising profit in imperfect markets Types of pricing strategies Financial consequences of pricing strategies 	What pricing strategies are open to organisations operating in imperfect markets? How do these affect the capital investment decision process?

P2C: Managing and controlling the performance of organisational units

The structure and strategies of organisations should align with each other to ensure effective strategy implementation. Responsibility centres are the organisational units that are allocated resources and charged with implementing organisational strategy. This section shows how to manage the performance of these organisational units to ensure that they achieve the strategic and other organisational objectives. Key concepts, techniques and issues are explored and examined.

Lead outcome	Component outcome
1. Analyse the performance of responsibility centres and prepare reports.	a. Analyse performance of cost centres, revenue centres, profit centres, and investment centres. b. Prepare reports for decision-making.
2. Discuss various approaches to the performance and control of organisations.	a. Discuss budgets and performance evaluation. b. Discuss other approaches to performance evaluation.
3. Explain the behavioural and transfer pricing issues related to the management of responsibility centres.	Explain: a. Behavioural issues b. Use and ethics of transfer pricing

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Objectives of each responsibility centre Controllable and uncontrollable costs and revenue Costs variability, attributable costs and revenue and identification of appropriate measures of performance Use of data analytics in performance management of responsibility centres 	What are responsibility centres and how should they be matched to the strategy of organisations? What are the KPIs of each type of responsibility centre? How is their performance evaluated and why? What types of reports are prepared for responsibility centre managers? How do they use analytics, visualisation and self-service technologies to enhance the performance management of responsibility centres?
<ul style="list-style-type: none"> Key performance indicators (e.g., profitability, liquidity, asset turnover, return on investment and economic value) Benchmarking (internal and external) Non-financial performance indicators Balanced scorecard 	How are budgets used to evaluate the performance of responsibility centres? What is best practice in this area? How are other methodologies like the balanced scorecard useful in managing performance?
<ul style="list-style-type: none"> Internal competition Internal trading Transfer pricing for intermediate goods where markets exist and where no markets exist Types of transfer prices and when to use them Effect of transfer pricing on autonomy, and motivation of managers of responsibility centre Effect of transfer pricing on responsibility centre and group profitability 	What are the behavioural issues in responsibility centre performance management – in particular as they affect controllable and non-controllable costs and revenue? How should they be managed so that responsibility centres work effectively with each other to maximise performance of the whole organisation rather than each responsibility centre? What role can transfer pricing play in this area?

P2D: Risk and control

Risk is inherent in the operations of all organisations. This section analyses risks and uncertainties that organisations face in the medium term. The risks are mainly operational in nature.

Lead outcome	Component outcome
1. Analyse risk and uncertainty associated with medium-term decision-making.	Conduct <ul style="list-style-type: none"> a. Sensitivity analysis b. Analysis of risk
2. Analyse types of risk in the medium term.	<ul style="list-style-type: none"> a. Analyse types of risk b. Manage risk

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Quantification of risk • Use of probabilistic models to interpret distribution of project outcomes • Stress-testing of projects • Decision trees • Decision-making under uncertainty 	What risks do organisations face in relation to capital investment decision-making and the implementation of those decisions? How are those risks incorporated in the decision-making process and managed in the implementation of the decisions?
<ul style="list-style-type: none"> • Upside and downside risks • TARA framework – transfer, avoid, reduce, accept • Business risks • Use of information systems and data in managing risks 	

F2: Advanced Financial Reporting

- A. Financing capital projects
- B. Financial reporting standards
- C. Group accounts
- D. Integrated reporting
- E. Analysing financial statements

F2: Structure and outline



F2A: Financing capital projects

For selected strategic (capital investment) projects to be implemented, funds must be sourced at the right cost and at the right time. This is a key role of the finance function and shows how it enables the organisation to create value. This section looks at the sources and types of funds and how much they cost.

Lead outcome	Component outcome
1. Compare and contrast types and sources of long-term funds.	Compare and contrast: <ol style="list-style-type: none"> Long-term debt Equity finance Markets for long-term funds
2. Calculate cost of long-term funds.	Calculate: <ol style="list-style-type: none"> Cost of equity Cost of debt Weighted average cost of capital

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Characteristics of different types of shares and long-term debts Ordinary and preference shares Bonds and other types of long-term debt Operations of stock and bond markets Issuance of shares and bonds Role of advisors 	What are the types of funds that can be used to finance medium to long-term projects? What are their unique and shared profiles and under what conditions are they suitable for organisations seeking long-term funds? What is the impact of these funds on the risk profile of organisations? Where can these funds be sourced? What are the criteria that organisations must fulfil to access funds from these sources?
<ul style="list-style-type: none"> Cost of equity using dividend valuation model (with or without growth in dividends) Post-tax cost of bank borrowing Yield to maturity of bonds and post-tax cost of bonds Post-tax costs of convertible bonds up to and including conversion 	What is the cost of each type of funds? What is the cost of the total funds used by the organisation to fund its projects? How can the organisation minimise the cost of funds whilst ensuring the availability of adequate funds at the right time and at the same time maintaining an appropriate risk profile?

F2B: Financial reporting standards

The finance function is responsible for narrating how organisations create and preserve value. Different types of narratives are used for different audiences. Financial reporting is used for external stakeholders. This section examines the building blocks for constructing the narratives in the financial statements. It covers the key financial reporting standards on which the financial statements will be based.

Lead outcome	Component outcome
1. Explain relevant financial reporting standards for revenue, leases, financial instruments, intangible assets and provisions.	Explain the financial reporting standards for: <ol style="list-style-type: none"> Revenue Leases Provisions Financial instruments Intangible assets Income taxes Effect of changes in foreign currency rates
2. Explain relevant financial reporting standards for group accounts.	<ol style="list-style-type: none"> Explain the financial reporting standards for the key areas of group accounts

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> IFRS 15 – Revenue from Contracts with Customers IFRS 16 – Leases IAS 37 – Provisions, Contingent Liabilities and Contingent Assets IFRS 9 – Financial Instruments IAS 32 – Financial Instruments: Presentation IAS 38 – Intangible Assets IAS 12 – Income Taxes IAS 21 – Effect of Changes in on Foreign Exchange Rates 	How should important elements of the financial statement be treated in the books? What principles should underpin these? How do financial reporting standards help to ensure this? Using financial reporting standards terminology this part will be looking at issues in recognition and measurement. The most important issues will be considered here.
<ul style="list-style-type: none"> IAS 1 – Presentation of Financial Statements IAS 27 – Separate Financial Statements IAS 28 – Investment in Associates and Joint Ventures IFRS 3 – Business Combinations IFRS 5 – Non-current Assets Held for Sale or Discontinued Operations IFRS 10 – Consolidated Financial Statements IFRS 11 – Joint Arrangements 	What are the key principles that should govern the preparation of group accounts? How are they reflected in financial reporting standards? The approach should focus on the aspects of group accounts that are essential for discussions with the rest of the business. Therefore, the emphasis should be on awareness creation and basic understanding of the technical elements.

F2C: Group accounts

Organisations sometimes acquire or merge with other organisations to improve their strategic performance, position and prospects. The performance and position of combined operations are reported through group accounts. This section covers the application of the relevant financial reporting standards to prepare group accounts. The topics covered are those that are essential to conducting conversations with different parts of the business about the performance of the group and its component parts.

Lead outcome	Component outcome
1. Prepare group accounts based on IFRS.	Prepare the following based on financial reporting standards: <ol style="list-style-type: none"> Consolidated statement of financial position Consolidated statement of comprehensive income Consolidated statement of changes in equity Consolidated statement of cash flows
2. Discuss additional disclosure issues related to the group accounts.	Discuss disclosure requirements related to: <ol style="list-style-type: none"> Transaction between related parties Earnings per share

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> IAS 1 – Presentation of Financial Statements IAS 27 – Separate Financial Statements IAS 28 – Investment in Associates and Joint Ventures IFRS 3 – Business Combinations IFRS 5 – Non-current Assets Held for Sale or Discontinued Operations IFRS 10 – Consolidated Financial Statements IFRS 11 – Joint Arrangements 	This is about the preparation of basic group accounts applying the financial reporting standards learned in the previous section. Basic understanding of the technical issues is required. Thus, it should cover the rules of consolidation, goodwill, foreign subsidiaries, minority interests and associated companies. These should be placed in the context of the organisation's strategy as executed through mergers and acquisitions and the setting up of subsidiaries. In addition, it can be linked to the performance management of responsibility centres.
<ul style="list-style-type: none"> IAS 24 – Related Party Disclosures IAS 33 – Earnings Per Share 	What other issues should be disclosed outside the financial statements? Why? Again, the focus is on building awareness and basic understanding of the technical issues in order to equip finance professionals to conduct meaningful discussions with the rest of the organisation about the performance, position and potential of the organisation.

F2D: Integrated reporting

In a multi-stakeholder world, there has been a call for broader forms of reporting to cover wider audiences and issues of concern to them. The International Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC) is one of the most influential frameworks that seeks to fulfil this role. This section introduces candidates to the Framework and its components.

Lead outcome	Component outcome
1. Discuss the International <IR> Framework activities.	a. Describe the role of the International Integrated Reporting Council. b. Explain integrated thinking. c. Discuss the International <IR> Framework.
2. Explain the Six Capitals of Integrated Reporting.	Explain the measurement and disclosure issues of: <ol style="list-style-type: none"> Financial capital Manufactured capital Intellectual capital Human capital Social and relationship capital Natural capital

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Context of integrated reporting International Integrated Reporting Council Integrated thinking International <IR> Framework Benefits and limitations of the Framework 	This section looks at the International <IR> Framework as a means of addressing the need for wider forms of reporting in a multi-stakeholder world. It introduces the role of the IIRC and uses the concept of integrated thinking as the foundational concept of the International <IR> Framework. It also discusses the Framework, its benefits and limitations.
<ul style="list-style-type: none"> Definition of the six capitals Measurement and disclosure issues relating to the six capitals 	The six capitals are a key part of the International <IR> Framework. This section defines the six capitals and explains the measurement and disclosure issues relating to them.

F2E: Analysing financial statements

The analyses of financial statements enable organisations to explain their performance and to compare their performance and prospects over time and against others. It can show how vulnerable they and their business models are to disruption. This section shows how these analyses are conducted and their limitations.

Lead outcome	Component outcome
1. Analyse financial statements of organisations.	Analyse financial statements to provide insight on: <ol style="list-style-type: none"> Performance Position Adaptability Prospects
2. Recommend actions based on insights from the interpretation of financial statements.	<ol style="list-style-type: none"> Recommend actions
3. Discuss the limitations of the tools used for interpreting financial statements.	Discuss: <ol style="list-style-type: none"> Data limitations Limitations of ratio analysis

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Ratio analysis Interpretation of ratios Reporting of ratios along the dimensions of the Gartner Data Analytics maturity model – descriptive, diagnostic, predictive and prescriptive Link to organisation's business model 	<p>The financial statements narrate how organisations create and preserve value using financial numbers. Analyses of financial statements allows finance professionals to go beyond the numbers and put the narrative into everyday business language to facilitate discussions and collaboration with the rest of the organisation. The analysis could be based on the Gartner Data Analytics model which presents information as descriptive, diagnostic, predictive and prescriptive. Thus, it will cover hindsight, insight and foresight into the organisation's performance, position, resilience (or adaptability) and prospects. The analyses can be linked to the organisation's business model.</p>
<ul style="list-style-type: none"> Linkages between different areas of performance Predictive and prescriptive ratios Impact of recommendations on wider organisational ecosystem 	<p>Draw logical conclusions from the analysis. The focus is mainly predictive and prescriptive areas of data analytics. The recommendations should also be organisation wide and must encompass the ecosystem. A link with the business model framework in E2 is essential.</p>
<ul style="list-style-type: none"> Quality and type of data used Comparability – both in segment and internationally 	<p>What are the limitations of the data and techniques used in the analyses of financial statements? How do they affect the recommendations? How could they be overcome?</p>

The Strategic Level

Strategic Level summary

On completion candidates should be able to: support organisational leaders to craft strategy; evaluate and manage risks that might prevent organisations from successfully implementing strategy; value organisations; and source financial resources required to implement of strategy.

- ▶ Wide scope
- ▶ Fully integrated
- ▶ Financial and both quantitative and qualitative non-financial
- ▶ Future and some present
- ▶ Long-term decision-making
- ▶ External combined with internal (whole organisation)
- ▶ Aggregate (fewer details)
- ▶ Influence



Summary of the Strategic Level Syllabus

E3: Strategic Management

- A. The Strategy process
- B. Analysing the organisational ecosystem
- C. Generating strategic options
- D. Making strategic choices
- E. Strategic control
- F. Digital strategy

P3: Risk Management

- A. Enterprise risk
- B. Strategic risk
- C. Internal controls
- D. Cyber risks

F3: Financial Strategy

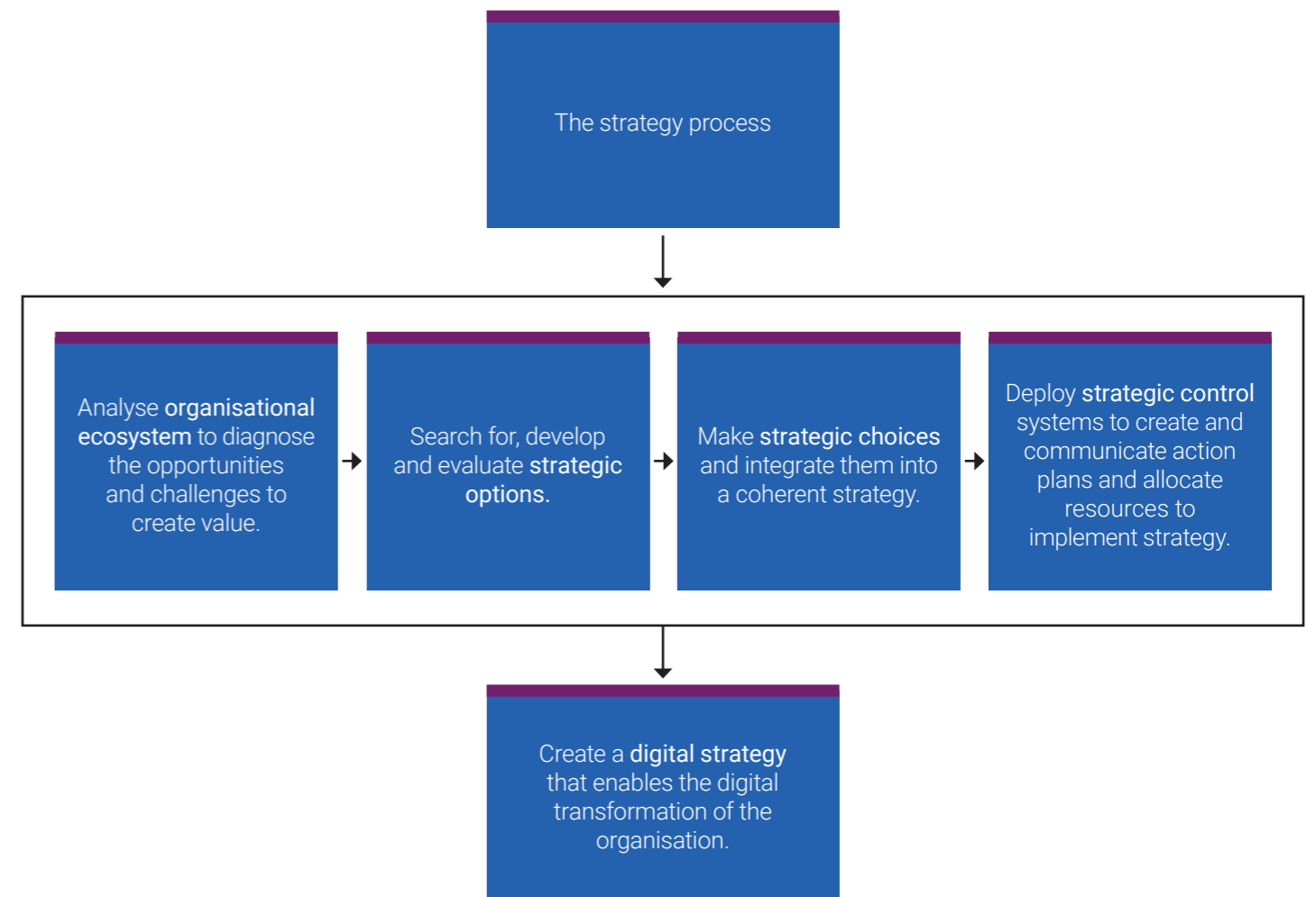
- A. Financial policy decisions
- B. Sources of long-term funds
- C. Financial risks
- D. Business valuation



E3: Strategic Management

- A. The strategy process
- B. Analysing the organisational ecosystem
- C. Generating strategic options
- D. Making strategic choices
- E. Strategic control
- F. Digital strategy

E3: Structure and Outline



E3A: The strategy process

Strategy is at the heart of what organisations do. This section provides the foundation of strategic management for the organisation. It introduces the strategy process that is elaborated on in the rest of the subject.

Lead outcome	Component outcome
1. Explain the purpose of strategy.	a. Define strategy. b. Explain the purpose of strategy.
2. Discuss the types and levels strategy.	Discuss a. Types of strategy b. Levels of strategy
3. Outline the strategy process.	a. Outline the rational and emergent processes of arriving at strategy.

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Different definitions of strategy • Essential features and characteristics of strategy 	This section introduces the rest of E3. It provides the various definitions of strategy and outlines its essential features and characteristics. It discusses the different types and levels of strategy and the leaders who have responsibility for them. Finally, it looks at the strategy process from both the rational and emergent perspectives.
<ul style="list-style-type: none"> • Intended and emergent strategy • Corporate, business and functional strategies 	
<ul style="list-style-type: none"> • Analysis of organisational ecosystem • Generating options • Strategic choice • Strategic control 	

E3B: Analysing the organisational ecosystem

Every organisation inhabits an ecosystem within which it adapts and evolves. This ecosystem comprises markets and society, has its players and its own system of governance. Organisations can also join with others to form a smaller ecosystem within the broader one to reflect their strategic preferences. This section provides candidates with an understanding of the dynamics of the ecosystem (both the wider and the smaller more deliberate ones formed by organisations) and how it affects the strategy of the organisation.

Lead outcome	Component outcome
1. Analyse the elements of the ecosystem.	Analyse <ol style="list-style-type: none"> Markets and competition Society and regulation
2. Discuss drivers of change in the ecosystem.	Discuss the following drivers of change: <ol style="list-style-type: none"> Institutional and systemic Social Market Technology Sustainability
3. Discuss the impact of the ecosystem on organisational strategy.	<ol style="list-style-type: none"> Discuss the impact of strategic networks and platforms on organisational strategy Conduct stakeholder analysis in networks

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> SWOT analysis PESTEL analysis Competitor analysis Customer analysis Wider ecosystems Industry ecosystems 	<p>What types of markets do organisations operate in? What are the “rules of the game” in these markets? What are the sources and opportunities for disruption in the market? How does society regulate the markets and provide “permission to play” for organisations?</p>
<ul style="list-style-type: none"> Globalisation Geopolitics Demography Customer empowerment Digital technology Automation 	<p>What are the drivers of change in the ecosystem? How are the individual drivers linked? What type of outcomes do they bring individually and collectively? What risks and opportunities do they bring organisations?</p>
<ul style="list-style-type: none"> Value creation in ecosystems Participants and interactions in networks and platforms Technology enablers in networks Process of creating networks and platforms Stakeholder analysis in networks Corporate social responsibility 	<p>In a digital world what is the importance of networks and platforms? What are the roles, interactions, and governance systems in the ecosystems? Who are the key players? How does this affect the business model of organisations?</p>

E3C: Generating strategic options

Strategy is about choice of options. These options must be generated and developed based on the dynamics of the ecosystem in which the organisation operates and the foundational contexts of the organisation (e.g. its purpose, values etc). This section covers how options are generated and links them to the purpose, values and vision of the organisation. In addition, it looks at the role of various parts and levels of the organisation in the strategy process.

Lead outcome	Component outcome
1. Discuss the context of generating options.	Discuss: <ol style="list-style-type: none"> The role of governance and ethics in the strategy process The purpose, vision and values of the organisation and their impact on strategy
2. Discuss how to generate and develop options.	Discuss how to: <ol style="list-style-type: none"> Frame key strategic questions Diagnose organisation's starting position Forecast potential organisational operating ecosystem Use various frameworks to generate options

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Roles and responsibility of leaders of organisations for strategy Definition of purpose, vision and values of organisations Linkage between purpose, vision and values to each other and to strategy 	Who is responsible for various aspects of the strategy formulation process? How are those roles determined and governed? How does the organisation derive its purpose, vision and values? What processes exist to ensure that strategy is based on and/or are aligned to these?
<ul style="list-style-type: none"> Product/market matrix Generic strategies Trend analysis System modeling Scenario planning Tangible and intangible value drivers and data to measure them Game theory perspectives Real option perspectives 	What are the core strategic questions to ask and what are the criteria and constraints for asking them? What is the organisation's starting point? Where and how does it make money? What potential futures might it inhabit and what are the forces potentially driving these futures? What are the potential pathways to this future? What new business models are in play?

E3D: Making strategic choices

Once options have been generated in various areas of the organisation's operations the organisation has to choose between the alternatives. The choice is based on predefined criteria and an evaluation of the options against these criteria. The various options chosen must then be integrated into a coherent whole to form the organisation's strategy. This section covers how the options are evaluated, chosen and integrated coherently to form the strategy of the organisation.

Lead outcome	Component outcome
1. Evaluate options.	<ul style="list-style-type: none"> a. Develop criteria for evaluation. b. Evaluate options against criteria. c. Recommend appropriate options.
2. Produce strategy by the integration of choices into coherent strategy.	Conduct: <ul style="list-style-type: none"> a. Value analysis b. Portfolio analysis

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Suitability, acceptability and feasibility framework 	What are the different criteria to guide the choice of options, one how are they prioritised and why?
<ul style="list-style-type: none"> • Value chain analysis • Managing product portfolio 	What are the criteria to ensure effective integration and why? What are the trade-offs to be made when putting the individual choices together? How does one ensure integrated thinking?

E3E: Strategic control

Once strategy has been formulated, it has to be implemented. This involves developing and communicating action plans, allocating resources and monitoring the implementation of the plans. In addition, implementing strategy involves significant change. The nature of these changes should be evaluated and appropriate ways of managing change have to be developed and implemented. This section examines how these implementation objectives are achieved and how change is managed.

Lead outcome	Component outcome
1. Develop strategic performance management system.	<ul style="list-style-type: none"> a. Develop detailed action plans b. Communicate action plans c. Monitor implementation d. Align incentives to performance
2. Advise on resource allocation to support strategy implementation.	<ul style="list-style-type: none"> a. Advise on resource availability b. Align resource allocation to strategic choices
3. Recommend change management techniques and methodologies.	<ul style="list-style-type: none"> a. Assess impact of strategy on organisation b. Recommend change management strategies c. Discuss the role of the leader in managing change

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Action plans • Target setting • Critical success factors (CSFs) • Key performance indicators (KPIs) 	How does the organisation prepare the grounds for executing strategy? How does it create and communicate action plans for implementation? How is the whole organisation mobilised, motivated and incentivised to implement the plans? What role can integrated reporting play?
<ul style="list-style-type: none"> • Audit of key resources and capabilities required to implement strategy • Matching resources to strategy 	What are the resources needed to implement strategy? Where are the resources needed? How does the organisation re-align resource allocation from existing units or projects to new ones that match the strategic choices made?
<ul style="list-style-type: none"> • Types of change • Impact of change on organisational culture • Resistance to change • Approaches and styles of change management • Role of change leader in communication 	What is the impact of the new strategy on the whole organisation, parts of the organisation and partners of the organisation? What transformation is required and how does the organisation drive these changes?

E3F: Digital strategy

Strategy takes place within specific organisational contexts and ecosystems. The primary characteristics of the current context is digital transformation. Organisations need to think through their approach to strategy within this perspective. This section covers how to introduce thinking about digital transformation in the strategy of organisations.

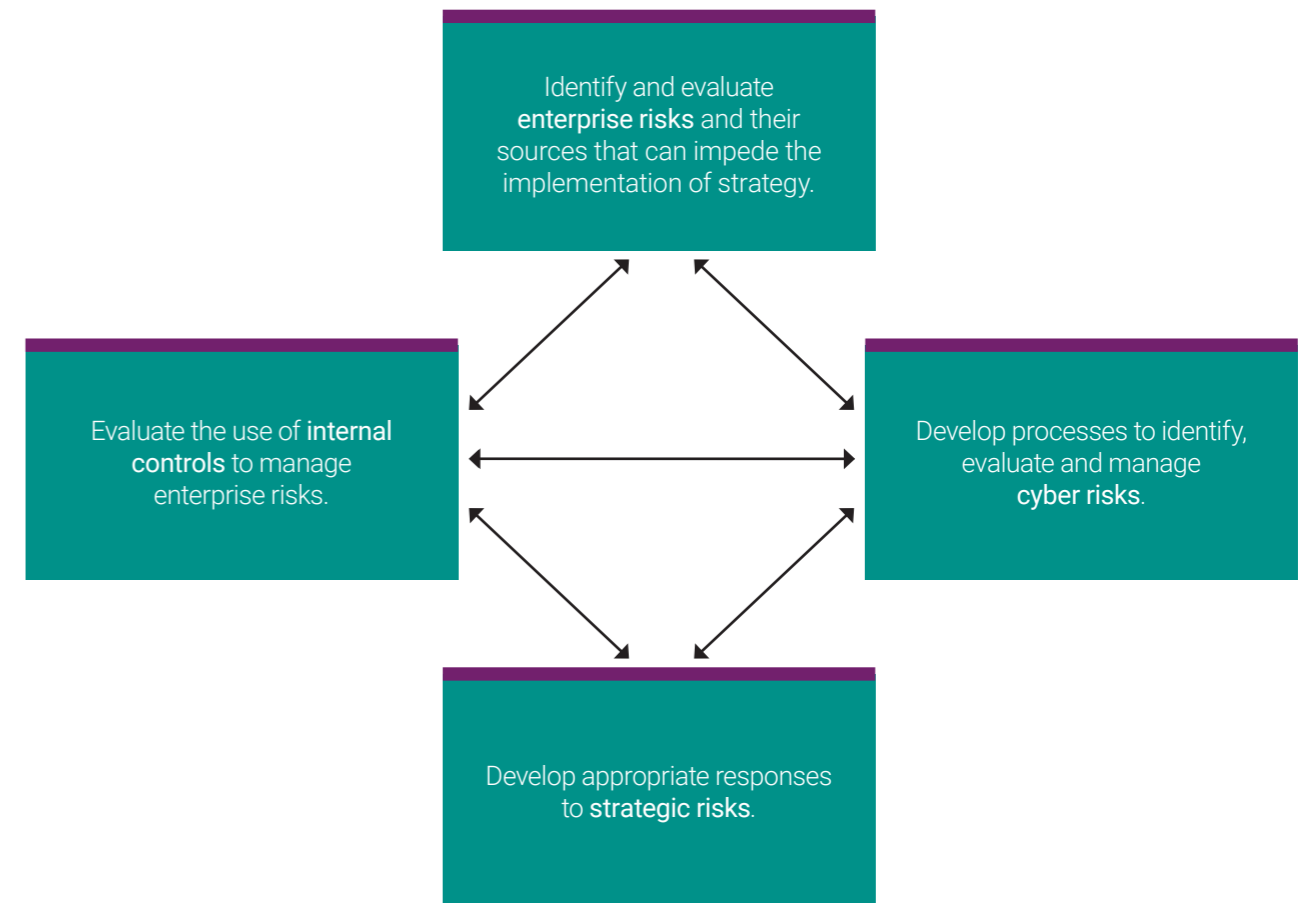
Lead outcome	Component outcome
1. Describe the governance of digital transformation.	a. Describe the roles and responsibilities of the board and executive leadership in digital strategy.
2. Analyse digital transformation.	Analyse <ol style="list-style-type: none"> Digital technologies Digital enterprise
3. Discuss the various elements of digital strategies.	Discuss: <ol style="list-style-type: none"> Economics of digitisation Digital ecosystems Digital consumption Data and metrics Leadership and culture

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Role of board and senior leadership in digital strategy 	Who is responsible for leading the process of digital transformation? What is their role in the process and why?
<ul style="list-style-type: none"> Cloud computing Big data analytics Process automation Artificial intelligence Data visualisation Blockchain Internet of things Mobile 3-D printing 	What are the technologies that underpin digital transformation? How are they evolving and what impact do they have on the organisation and its immediate and wider operating environment? What type of organisation do such technologies create? What are the elements of the business and operating models of such digital enterprises.
<ul style="list-style-type: none"> Business case for digital transformation Participants, interactions and dynamics of ecosystem and impact on strategy Trends in consumption (e.g., hyper personalisation, move from products and services to experience) New metrics (scale, active usage and engagement metrics) Leadership in digital transformation 	What is the economic and business case for digitisation? How does the organisation create partnerships in the ecosystem to ensure strategic success? What are key trends underlying the consumption of the organisation's products and services by customers and consumers? What data and metrics should organisations use to evaluate success of digital enterprises? How should leaders and their organisations think, act and react differently because of digital transformation?

P3: Risk Management

- A. Enterprise risk
- B. Strategic risk
- C. Internal controls
- D. Cyber risks

P3: Structure and outline



P3A: Enterprise risk

Not all intended strategies are implemented due to various factors. These factors constitute the operating enterprise-wide risks of the organisation. This section covers how to identify, evaluate and manage these risks.

Lead outcome	Component outcome
1. Analyse sources and types of risk.	Analyse: <ol style="list-style-type: none"> a. Sources of risks b. Types of risks
2. Evaluate risk.	<ol style="list-style-type: none"> a. Evaluate the impact of risk b. Assess the likelihood of risks c. Analyse the interaction of different risks
3. Discuss ways of managing risks.	Discuss: <ol style="list-style-type: none"> a. Roles and responsibilities b. Risk tolerance, appetite and capacity c. Risk management frameworks d. Risk analytics

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Upside and downside risks • Risks arising from internal and external sources • Risks arising from international operations • Strategic and operational risks 	What are the types and sources of risks that would prevent organisations from implementing their intended strategy?
<ul style="list-style-type: none"> • Quantification of risk exposure • Risk maps 	What is the impact of the risks on the organisation? What techniques are available to evaluate the impact of such risks?
<ul style="list-style-type: none"> • Role of board and others in the organisation for identifying and managing risks • Risk mitigation including TARA – transfer, avoid, reduce, accept • Assurance mapping • Risk register • Risk reports and responses • Ethical dilemmas associated with risk management 	How is risk managed in the organisation? How is responsibility for various aspects of risk management distributed in the organisation? How does the organisation align its risk tolerance, appetite and capacity to its decisions and actions? What risk management frameworks are there? How is risk information communicated to the organisation?

P3B: Strategic risk

A fundamental risk of the organisation is that its strategy is the wrong one and that even if implemented perfectly, it will achieve the wrong outcome for the organisation. In addition, some risks are of such high significance that they can affect the very existence of the organisation. This section covers where these risks emanate from, evaluates them and explains how oversight of such risks is critical to the governance of the organisation.

Lead outcome	Component outcome
1. Analyse risks associated with formulating strategy.	<ol style="list-style-type: none"> a. Analyse relevance of the assumptions on which strategy is based. b. Discuss potential sources and types of disruptions to strategy.
2. Evaluate the sources and impact of reputational risks.	Evaluate: <ol style="list-style-type: none"> a. Sources of reputational risk b. Impact of reputational risk on strategy
3. Explain governance risks.	Explain: <ol style="list-style-type: none"> a. The role of board and its committees in managing strategic risk b. Failure of governance and its impact on strategy

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Analysis of strategic choice • Scenario planning • Stress-testing strategy 	What are the risks that the strategy of the organisation is wrong? What are the sources of such risks? How does the organisation evolve its strategy in a dynamic environment to keep it relevant?
<ul style="list-style-type: none"> • Risks of unethical behaviour • Impact on brand and reputation of organisation 	What is reputational risk and why is it an important strategic risk? What are the types and sources of reputational risks and what is their impact on the organisation? How can they be managed?
<ul style="list-style-type: none"> • Separation of the roles of CEO and chairman • Role of non-executive directors • Roles of audit committee, remuneration committee, risk committee and nomination committee • Directors' remuneration 	What is the role of the board in risk management? How does governance risk occur? How is this role governed by the various corporate governance codes and principles?

P3C: Internal controls

Control systems are an integral part of managing risks. Various control frameworks have been developed to assist in this process. In addition, the internal audit function performs a vital role in helping to implement and monitor implementation and adherence to the control frameworks. This section covers how internal control systems can be used effectively in the risk management process.

Lead outcome	Component outcome
1. Analyse internal control systems.	<ul style="list-style-type: none"> a. Discuss roles and responsibilities for internal controls. b. Discuss the purpose of internal control. c. Analyse the features of internal control systems.
2. Recommend internal controls for risk management.	<ul style="list-style-type: none"> a. Discuss the Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal control and risk management framework. b. Assess control weakness. c. Assess compliance failures. d. Recommend internal controls for risk management.
3. Discuss various issues relating to internal audit in organisations.	<p>Discuss:</p> <ul style="list-style-type: none"> a. Forms of internal audit b. Internal audit process c. Effective internal audit d. The internal audit report

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Role of risk manager as distinct from internal auditor • Control systems in functional areas • Operational features of internal control 	What are the roles of internal control systems in managing risks? What are its key features and why?
<ul style="list-style-type: none"> • Governance and culture • Strategy and objective setting • Performance • Review and revision • Information, communication and reporting • Identifying and evaluating control weakness and compliance failures 	This introduces the COSO framework as a comprehensive way of looking at internal controls in risk management. The objective is to get candidates to understand the key elements and know how to apply them in evaluating internal controls.
<ul style="list-style-type: none"> • Compliance audit, fraud investigation, value for money audit and management audit • Operation of internal audit • Assessment of audit risk • Process of analytical review • Independence, staffing and resourcing of internal audit • Preparation and interpretation of internal audit reports 	This part looks at the critical role that the internal audit function can play in risk management. The objective is to create awareness and understanding of the various issues in internal audit and how they link to each other.

P3D: Cyber risks

In a digital world one of the major threats is cyber risk. How are data and operating systems protected from unauthorised access and manipulation? How are breaches identified, analysed, remedied and reported? These are some of the questions covered in this section.

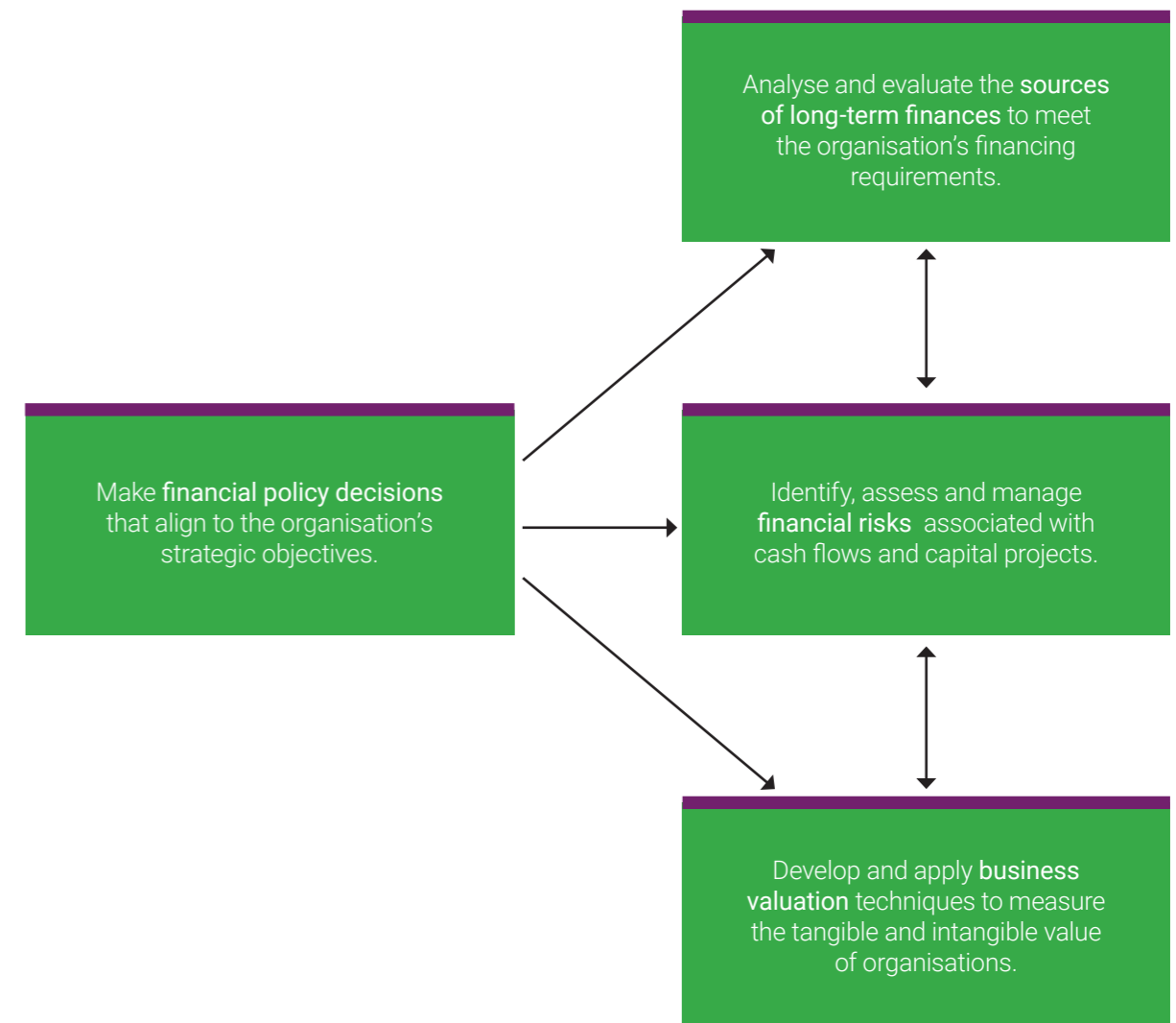
Lead outcome	Component outcome
1. Analyse cyber threats.	Analyse: <ol style="list-style-type: none"> Nature and impact of cyber risks Types of cyber risks Risk of security vulnerabilities.
2. Review cyber security processes.	Review: <ol style="list-style-type: none"> Cyber security objectives Security controls Centralisation in cyber security
3. Discuss cyber security tools and techniques.	Discuss: <ol style="list-style-type: none"> Forensic analysis Malware analysis Penetration testing Software security
4. Evaluate cyber risk reporting.	<ol style="list-style-type: none"> Evaluate cyber risk reporting frameworks

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Malware Application attacks Hackers Result of vulnerabilities including downtime, reputational loss, customer flight, legal and industry consequences 	This part looks at where and how organisations can be vulnerable to cyber threats and the type and sources of such threats. In addition, it looks at the impact such threats can have on organisations.
<ul style="list-style-type: none"> Protection, detection and response Centralised management Centralised monitoring 	The principal aim here is to enable candidates to understand how to manage cyber threats through cyber security processes. What objectives should organisations set in this area? What controls are available to organisations?
<ul style="list-style-type: none"> System level analysis, storage analysis and network analysis Reverse engineering, decompilation and disassembly Network discovery, vulnerability probing, exploiting vulnerabilities Tiers of software security 	This part looks at the tools and techniques available to manage cyber risks. Candidates are expected to have a basic understanding of the techniques and how they can be deployed together.
<ul style="list-style-type: none"> Description criteria including nature of business and operations, nature of information at risk, risk management programme objectives, cybersecurity risk governance structure etc. 	How should cyber risks be reported? What reporting frameworks are available?

F3: Financial Strategy

- A. Financial policy decisions
- B. Sources of long-term funds
- C. Financial risks
- D. Business valuation

F3: Structure and outline



F3A: Financial policy decisions

The overall strategy of the organisation must be supported by how its finances are organised. This requires an understanding of the different strategic financial objectives and policy options that are open to organisations. The choice of these objectives and policy options will be heavily influenced by the financial market requirements and the regulatory environment in which the organisation operates. This section examines these issues.

Lead outcome	Component outcome
1. Advise on strategic financial objectives.	<ul style="list-style-type: none"> a. Analyse different types of organisations and their objectives. b. Advise on financial objectives. c. Advise on non-financial objectives.
2. Analyse strategic financial policy decisions.	<p>Analyse the following policy decision areas:</p> <ul style="list-style-type: none"> a. Investment b. Financing c. Dividends d. Interrelationships between policy decision areas
3. Discuss the external influences on financial strategic decisions.	<p>Discuss the influence of the following on financial strategic decisions</p> <ul style="list-style-type: none"> a. Market requirements b. Taxation c. Regulatory requirements

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> • Profit and not-for-profit organisations • Quoted and unquoted companies • Private and public sector organisations • Value for money, maximising shareholder wealth • Earnings growth, dividend growth • Impact of underlying economic conditions and business variables on financial objectives • Enhancing the value of other non-financial capitals (human capital, intellectual capital and social and relationship capital) • United Nations Sustainability Development Goals 	<p>This section is about aligning financial objectives and policies to the strategies of the organisation. The key aim is to make sure that the organisation has a proper basis to determine what types of funds to access and how to use those funds. To do this effectively finance professionals must be able to evaluate the opportunities and constraints placed on them in the operating environment – particularly financial market requirements, the impact of taxation and the requirements of industry and financial market regulators.</p>
<ul style="list-style-type: none"> • Use of policy decisions to meet cash needs of entity • Sensitivity of forecast financial statements and future cash position to these policy decisions • Consideration of the interests of stakeholders 	
<ul style="list-style-type: none"> • Lenders' assessment of creditworthiness • Consideration of domestic and international tax regulations • Consideration of industry regulations such as price and service controls 	

F3B: Sources of long-term funds

What types of funds are available to organisations to finance the implementation of their strategies? How much of each type should they go for? And what is the impact on the organisation? Where and how do they get these funds? And how do they provide incentives to providers of such funds so that the funds are available at the right time, in the right quantities and at the right cost? These are some of the questions covered by this section.

Lead outcome	Component outcome
1. Evaluate the capital structure of a firm.	Evaluate: <ol style="list-style-type: none"> Choice of capital structure Changes in capital structure
2. Analyse long-term debt finance.	Analyse: <ol style="list-style-type: none"> Selecting debt instruments Target debt profile Issuing debt securities Debt covenants Tax considerations
3. Evaluate equity finance.	<ol style="list-style-type: none"> Evaluate methods of flotation Discuss rights issues
4. Evaluate dividend policy.	Evaluate policy in the following areas: <ol style="list-style-type: none"> Cash dividends Scrip dividends Share repurchase programmes

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Capital structure theories (traditional theory and Miller and Modigliani (MM) theories) Calculation of cost of equity and weighted cost of capital to reflect changes in capital structure Impact of choice of capital structure on financial statements Structuring debt/equity profiles of companies in a group 	How should important elements of the financial statement be treated in the books? What principles should underpin these? How do financial reporting standards help to ensure this? Using financial reporting standards terminology this part will be looking at issues of recognition and measurement. The most important issues will be considered here.
<ul style="list-style-type: none"> Types of debt instruments and criteria for selecting them Managing interest, currency and refinancing risks with target debt profile Private placements and capital market issuance of debt Features of debt covenants 	
<ul style="list-style-type: none"> Methods of flotation and implications for management and shareholders Rights issues, choice of discount rates and impact on shareholders Calculation of theoretical ex-rights price (TERP) and yield adjusted TERP 	
<ul style="list-style-type: none"> Features and criteria Impact on shareholder value and entity value, financial statements and performance 	

F3C: Financial risks

There is always a risk that the organisation will not be able to attract enough funds to finance its operations and in extreme conditions will fail to survive as a result. This section covers the sources of such risks and how to evaluate and manage such financial risks appropriately.

Lead outcome	Component outcome
1. Discuss the sources and types of financial risks.	Discuss: <ol style="list-style-type: none"> Sources of financial risk Types of financial risk
2. Evaluate financial risks.	<ol style="list-style-type: none"> Evaluate how financial risks are quantified
3. Recommend ways of managing financial risks.	<ol style="list-style-type: none"> Recommend ways to manage economic and political risks Discuss currency risk instruments Discuss interest rate risk instruments

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Economic risk Political risk Currency risk Interest rate risk 	<p>Managing risks related to finances is similar to managing other types of risks in general approach and methodology. However, there are specific differences such as the sources and types of financial risks, how they can be quantified and ways in which they are managed. This section looks at the very specific issues related to managing financial risks within a general risk management framework</p>
<ul style="list-style-type: none"> Theory and forecasting of exchange rates (e.g. interest rate parity, purchasing power parity and the Fisher Effect) Value at risk 	
<ul style="list-style-type: none"> Responses to economic transaction and translation risks Operations and features of swaps, forward contracts, money market hedges, futures and options Techniques for combining options in order to achieve specific risk profile such as caps, collars and floors Internal hedging techniques 	

F3D: Business valuation

The primary objective of all strategic activity is to create and preserve value for organisations. How does the organisation know whether it has succeeded in this objective? Sometimes, in order to implement strategies, organisations have to acquire other organisations. How does the acquirer determine the value of its acquisition? This section covers how to use techniques in business valuation to answer such questions.

Lead outcome	Component outcome
1. Discuss the context of valuation.	Discuss: <ol style="list-style-type: none"> Listing of firms Mergers and acquisitions (M&A) Demergers and divestments
2. Evaluate the various valuation methods.	<ol style="list-style-type: none"> Evaluate different valuation methods Discuss the strengths and weaknesses of each valuation method
3. Analyse pricing and bid issues.	Analyse: <ol style="list-style-type: none"> Pricing issues Bid issues
4. Discuss post-transaction issues.	Discuss: <ol style="list-style-type: none"> Post-transaction value Benefit realisation

Topics to be covered	Explanatory notes
<ul style="list-style-type: none"> Reasons for M&A and divestments Taxation implications Process and implications of management buy-outs Acquisition by private equity and venture capitalist 	<p>This section looks at the conditions under which organisations need to calculate their own value or the value of other organisations or sub-units thereof. It introduces candidates to valuation techniques. Of particular importance in the digital world is the valuation of intangibles. This links also to how to report intangible value and their drivers in integrated reporting. In addition, how should digital assets be valued? One of the reasons for valuation is when merging or acquiring firms. How should such deals be structured, implemented and closed? For example what should the forms of the consideration be? What are the terms of the acquisition? How does one enable benefit realisation, particularly for synergies once the acquired organisation has been integrated into the acquiring organisation?</p>
<ul style="list-style-type: none"> Asset valuation Valuation of intangibles Different methods of equity valuation (share prices, earnings valuation, dividend valuation, discounted cash flow valuation) Capital Asset Pricing Model (CAPM) Efficient market hypothesis 	
<ul style="list-style-type: none"> Forms of consideration Terms of acquisition Target entity debt Methods of financing cash offer and refinancing target entity debt Bid negotiation 	
<ul style="list-style-type: none"> Post-transaction value incorporating effect of intended synergies M&A integration and synergy benefit realisation Exit strategies 	

Exam information and timetable

Exams	Availability	Type of assessment	Length of assessment	Location
Objective tests				
E3 P3 F3	On-demand and year round	Computerised objective tests	90 minutes	Can be sat globally at Pearson VUE test centres
E2 P2 F2				Locations of Pearson VUE centres can be found via the CIMA website
E1 P1 F1				
Case study exams				
Strategic Level	Four sittings per year	Case study exam	3 hours	
Management Level				
Operational Level				

Actual dates for the case study exam sittings are available on the CIMA website.

International Accounting Standards and Exposure Drafts

The examinations will be set in accordance with relevant International Accounting Standards and International Financial Reporting Standards. This also applies to material contained in Financial Reporting Exposure Drafts. Details of examinable standards for a given period will be communicated in the relevant examination blueprint.

Mathematical tables and formulae

Relevant mathematical tables and formulae will be included within the appropriate examination and will be provided in the relevant examination blueprint.

For more information, go to cimaglobal.com/examblueprints.

Programme design and the international education standards

International education standards

CIMA is a member of the International Federation of Accountants (IFAC) and supports the principles, standards and guidelines set out within the IFAC International Education Standards for Professional Accountants.

CIMA pre-qualification education programmes

Designers and deliverers of CIMA tuition programmes are requested to refer to the IFAC International Education Standards and reflect the contents when developing learning programmes for CIMA students.

CIMA initial professional development – practical experience

Those responsible for managing, supervising and mentoring CIMA students as they acquire relevant practical experience are requested to refer to the IFAC International Education Standards and reflect the contents when developing work-based experience programmes.



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