

Certified Financial Manager

Background

The Certified Financial Manager (CFM) certification is for candidates who want to pursue a career in corporate cash management, financing and investment decisions, and risk management. The CFM examination is administered by the Institute for Management Accountants (IMA). Unlike other professional designations / certifications, the CFM certification prepares its candidates to work as financial managers for individual firms rather than as portfolio managers or investment analysts.

Certification

The CFM examination measures the competence of its candidates in the following areas:

- Financial Statement Analysis
- Working Capital Policy
- Capital Structure
- Valuation Issues
- Risk Management¹

Note: The Institute of Management Accountants is currently making changes to the CFM program. These changes will be announced in early 2005.

Curriculum¹

Part 1: Economics, Finance and Management

A. Microeconomics (10% - 15%) (Level B)

Factors affecting the individual firm including demand, supply, elasticity, and their interaction; consumption of goods; production factors and their cost; market structures and pricing; various economic markets, including the demand for resources and the labor market.

¹ Institute of Management Accountants – www.imanet.org

B. Macroeconomics
(10% - 15%) (Level A)

Issues in macroeconomics such as inflation, employment, and economic growth; the nature of business cycles and reasons for fluctuations; fiscal and monetary policies.

C. International Business Environment
(10% - 15%) (Level B)

Comparative advantages of trade; free trade and protectionism; barriers to international trade; nature and theory of foreign exchange; international capital investment and global standards.

D. Domestic Institutional Environment of Business
(10% - 15%) (Level A)

Legal environment of business including the legal forms of business and the structure of government regulation; the impact on business of external forces including employee protection, antitrust policies, social legislation, and non-governmental groups such as consumer and environmental organizations, and financial institutions; social responsibility.

E. Working Capital Policy and Management
(10% - 15%) (Level C)

Evaluating optimum levels of current assets and current liabilities and balancing profitability and risk; policies for the management of cash, marketable securities, accounts receivable, and inventories; short-term credit for financing current assets.

F. Long-Term Finance and Capital Structure
(10% - 15%) (Level B)

Factors influencing the optimum capital structure including types of risk and leverage; objectives and policies of long-term financing; cost of capital; types of long-term financing instruments; dividend policies

G. Organizational Structures, Management, and Communication
(20% - 30%) (Level B)

Nature of organizational decision making; structural evolution in organizations; characteristics of effective organizations; jobs, teams, and the roles of managers; human resources, leadership styles, and motivational theories and methods; communication models, and managing communication and information content.

Part 2: Corporate Financial Management

A. Use of financial Statements (10% - 20%) (Level B)

Principal financial statements and their purposes; the annual report; special topics in financial statements such as segment reporting, leases, pensions, and retained earnings.

B. Advanced Topics in Corporate Financial Management (50% - 70%) (Level C)

Capital instruments for long-term financing; dividend policy; optimum capitalization; financial markets; interest rates; investment banking relationships; commercial banking relationships; administration and compliance for finance instruments; comparative financial statement analysis; business combinations; and corporate restructuring.

C. Risk Management (10% - 15%) (Level C)

Types of risk; measures of risk; portfolio management; options and futures; corporate and product liability insurance; foreign currencies and foreign exchange.

D. External Financial Environment (10% - 20%) (Level A)

Investor and shareholder relations; the effect of government regulations; the effect of international regulations on business.

E. Accounting Standard Setting Environment (5% - 10%) (Level A)

Objectives and users of external financial statements; development and application of public reporting standards; conceptual framework for financial accounting; the SEC and its reporting requirements.

Part 3: Management Reporting, Analysis, and Behavioral Issues

A. Cost Measurement (20% - 30%) (Level C)

Cost concepts, flows and terminology; alternative cost objectives; cost measurement concepts; cost accumulation systems including job order costing, process costing, and activity-based costing; overhead cost allocation to cost objectives.

B. Planning
(20% - 30%) (Level C)

Planning process, purposes of planning and budgeting; budgeting concepts; annual profit plans and supporting schedules.

C. Control and Performance Evaluation
(20% - 30%) (Level C)

Factors to be analyzed for control and performance evaluation including revenues, costs, profits, and Investment in assets; techniques to control and evaluate operations including variance analysis based on flexible budgets and standard costs; techniques to evaluate and report performance including responsibility accounting for revenue, cost, contribution and profit centers; quality considerations.

D. Behavioral Issues
(20% - 30%) (Level B)

Alignment of managerial and organizational goals; behavioral issues in developing and using budgets and standards; behavioral issues in reporting and performance evaluation.

Part 4: Decision Analysis and Information Systems

A. Decision Theory and Operational Decision Analysis
(20% - 30%) (Level C)

Logical steps to reach a decision; relevant data concepts; cost, volume, profit analysis; marginal analysis; cost-based pricing. Income tax implications for operational decision analysis.

B. Investment Decision Analysis

(20% - 30%) (Level C)

Cash flow estimates; time value of money; discounted cash flow concepts; net present value; internal rate of return; and non-discounting analysis techniques. Income tax implications for investment decision analysis.

C. Quantitative Methods for Decision Analysis
(10% - 15%) (Level B)

Quantitative methods and techniques including regression analysis, learning curves, linear programming, sensitivity analysis, network analysis, probability concepts and expected values, decision trees, simulation, and other appropriate aids to decision making.

D. Information Systems
(20% - 30%) (Level B)

Nature of management and accounting information systems; systems development and design; techniques and terminology applicable to the development of computer-based accounting information systems; systems controls and security measures.

E. Management Controls
(10% - 15%) (Level B)

Internal control environment, procedures, and standards; responsibility and authority for internal auditing; types of audits and audit reports; assessing the adequacy of the accounting information system.

Registering

The Institute of Management Accountants is currently making changes to the CFM program. These changes will be announced in early 2005.

For more information, visit The Institute of Management Accountants at www.imanet.org.