This appendix describes the role of cost accounting in professional examinations. We use professional examinations in Canada, the United States, Australia, Japan, and the United Kingdom to illustrate the role. A conscientious reader who has solved a representative sample of the problems at the end of the chapters will be well prepared for the professional examination questions dealing with cost accounting. This appendix aims to provide perspective, instill confidence, and encourage readers to take the examinations.

### CANADIAN PROFESSIONAL EXAMINATIONS

Three professional accounting designations are available in Canada:

<table>
<thead>
<tr>
<th>Designation</th>
<th>Sponsoring Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified Management Accountant (CMA)</td>
<td>Society of Management Accountants (SMA)</td>
</tr>
<tr>
<td>Certified General Accountant (CGA)</td>
<td>Certified General Accountants' Association (CGA)</td>
</tr>
<tr>
<td>Chartered Accountant (CA)</td>
<td>Canadian Institute of Chartered Accountants (CICA)</td>
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</table>

The CMA represents over 27,000 certified management accountants employed throughout Canadian business, industry, and government.

The CMA Entrance Examination is a two-day examination, divided into three broad categories:

1. Management accounting area 50%–60%
2. Financial accounting area 20%–30%
3. Management studies 15%–25%

Objective questions comprise 100% of the first examination and the second exam is a single complex case. Topics covered on recent examinations in the management accounting area include relevant costing, transfer pricing, capital budgeting, performance measures, activity-based costing, cost allocation, and productivity.

The Society of Management Accountants publishes *CMA: The Management Accounting Magazine* monthly. This magazine includes details of courses that assist students in preparing for the CMA examination.

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We appreciate help from Bill Langdon (Canada), Tom Craven (United States), John Goodwin (Australia), Michi Sakurai (Japan), and Louise Drysdale and Andrea Jeffries (U.K.).
CPA and CMA Designations

Many American readers may eventually take the Certified Public Accountant (CPA) examination or the Certified Management Accountant (CMA) examination. Certification is important to professional accountants for many reasons, such as the following:

1. Recognition of achievement and technical competence by fellow accountants and by users of accounting services
2. Increased self-confidence in one's professional abilities
3. Membership in professional organizations offering programs of career-long education
4. Enhancement of career opportunities
5. Personal satisfaction

The CPA certificate is issued by individual states; it is necessary for obtaining a state's license to practice as a Certified Public Accountant. A prominent feature of public accounting is the use of independent (external) auditors to give assurance about the reliability of the financial statements supplied by managers. These auditors are called Certified Public Accountants in the United States and Chartered Accountants in many other English-speaking nations. The major U.S. professional association in the private sector that regulates the quality of external auditing is the American Institute of Certified Public Accountants (AICPA).

The CMA designation is offered by the Institute of Management Accountants (IMA). The IMA is the largest association of management accountants in the world. The major objective of the CMA certification is to enhance the development of the management accounting profession. In particular, focus is placed on the modern role of the management accountant as an active contributor to and a participant in management. The CMA designation is gaining increased stature in the business community as a credential parallel to the CPA designation.

The CMA examination consists of 4 parts taken during 2 days (16 hours):

- Part 1: Economics, finance, and management
- Part 2: Financial accounting and reporting
- Part 3: Management reporting, analysis, and behavioural issues
- Part 4: Decision analysis and information systems

Questions regarding ethical issues will appear on any part of the examination. A person who has successfully completed the U.S. CPA examination is exempt from Part 2.

Cost/management accounting questions are prominent in the CMA examination. The CPA examination also includes such questions, although they are less extensive than questions regarding financial accounting, auditing, and business law. On the average, cost/managerial accounting represents 35% to 40% of the CMA examination and 5% of the CPA examination. This book includes many questions and problems used in past CMA and CPA examinations. Careful study of appropriate topics in this book will give candidates sufficient background for succeeding in the cost accounting portions of the professional examinations.

The IMA publishes *Management Accounting* monthly. Each issue includes advertisements for courses that help students prepare for the CMA examination.

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2The IMA has a wide range of activities driven by many committees. For example, the Management Accounting Practices Committee issues statements on both financial accounting and management accounting. The IMA also has an extensive continuing-education program.

3Other U.S. professional associations also require detailed knowledge of cost accounting. For example, the Certified Cost Estimator/Analyst (CCEA) program is administered by the Society of Cost Estimating and Analysis, 101 South Whiting Street, Suite 313, Alexandria, VA 22304. The society's primary purpose is to improve the effectiveness of cost estimation and price analysis. Special attention is given to contract cost estimation.
AUSTRALIAN PROFESSIONAL EXAMINATIONS

The Australian Society of Certified Practising Accountants is the largest body representing accountants in Australia. Their professional designation is termed a CPA (Certified Practising Accountant). The basic entry requirement for Associate membership of the Society is an approved Bachelors degree. Associates of the Society can advance to CPA status by passing the CPA program and having the required amount of relevant work experience. There are two compulsory core segments in the program. Core I covers the practical application of the more common accounting standards and ethics, while more technical standards (such as foreign currency translation) are covered in the Core II segment. Candidates are then required to take three segments from seven elective subjects. These subjects are (1) external reporting, (2) insolvency and reconstruction, (3) management accounting, (4) management of information systems, (5) auditing, (6) treasury, and (7) taxation. Personal financial planning and superannuation is a new elective subject that will soon be added to the electives.

The management accounting segment topics include:

1. Management accounting in the contemporary business environment
2. Accounting for strategic management
3. Long-term project planning and management
4. Costing for decision making
5. Performance measurement and reward systems

The Australian Accountant, published each month (except January), includes advertisements for courses that help students prepare for the CPA examination.

The Institute of Chartered Accountants in Australia (ICAA) has membership requirements that include passing four core modules (Taxation, Accounting I, Accounting II, and Ethics) and one elective module (one of which is Advanced Management Accounting). Management related topics are in both the Accounting II and Advanced Management Accounting modules. These include:

- purpose and perspective (including strategic and operational management; organizations, goals, ethics; operational environments; cost concepts);
- strategic management accounting (including strategic applications, project evaluation and capital budgeting);
- operational management accounting (including decision analysis, financial planning and management, product and service costing, control and performance evaluation).

JAPANESE PROFESSIONAL EXAMINATIONS

There are two major management accounting organizations—Japanese Industrial Management and Accounting Association and Enterprise Management Association. The JIMAA is the oldest, largest, and most authoritative accounting organization of its kind in Japan. It directs a School of Cost Control and a School of Corporate Tax Accounting. There are two courses in the School of Cost Control—Preparatory Course and Cost Control Course. These courses are taught by university professors and executives from member corporations. The Enterprise Management Association is the Japanese chapter of the U.S.-based Institute of Management Accountants.

UNITED KINGDOM PROFESSIONAL EXAMINATIONS

The Chartered Institute of Management Accountants (CIMA) is the largest professional management accounting body in the United Kingdom. CIMA provides a wide range of services to members in commerce, education, government, and the accounting profession.
The syllabus for the CIMA examination consists of four stages:

1. Preparation for business and accounting (including “foundation costing”)
2. The tools of management accounting (including “operational cost accounting”)
3. The rules of a profession (including “management accounting applications”)
4. The application of knowledge to business management and finance (including “strategic management accounting” and “management accounting control systems”)

*Management Accounting*, published monthly by CIMA, includes details of courses assisting students in preparing for their examinations.

Management accounting topics are also covered by several other professional bodies. The syllabus for the examinations of the Chartered Association of Certified Accountants (ACCA) has three stages: I (Foundation), II (Certificate), and III (Professional). Skills examined in III include information for control and decision making, management and strategy, and financial strategy. Other accounting bodies include the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute for Chartered Accountants of Scotland (ICAS). Both institutes have requirements that cover proficiency in “general management” topics as well as professional accounting topics.