

CSCA Reading List



Certified in Strategy
and Competitive
Analysis

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Strategy Textbooks referenced in the Resource Guide (listed in alphabetical order):

Note: Any ONE of these strategic management textbooks will provide an overview of the relevant material; other strategic management textbooks may provide an overview of the relevant material as well.

Grant, Robert M., *Contemporary Strategy Analysis*, 9th Edition, John Wiley & Sons, Inc., Edison, NJ, 2016

Hill, Charles W.L., Jones, Gareth R., and Schilling, Melissa A., *Strategic Management: Theory, an Integrated Approach*, 12th Edition, Cengage Learning, Stamford, CT, 2017.

Thompson, A. Peteraf, M., Gamble, J., and Strickland, A. J., *Crafting and Executing Strategy, The Quest for Competitive Advantage*, 20th Edition, McGraw-Hill, New York, NY, 2015

Wheelen, Thomas L., Hunger, J. David, Hoffman, Alan N., and Bamford, Charles E., *Strategic Management and Business Policy: Globalization, Innovation and Sustainability*, 14th Edition, Pearson Education, Inc., Upper Saddle River, NJ, 2015.

Management Accounting and Finance textbooks referenced in the Resource Guide:

Blocher, Edward, J., Stout, David E., Juras, Paul E., and Cokins, Gary, *Cost Management: A Strategic Emphasis*, 7th edition, McGraw Hill, New York, NY, 2016.

Brealey, Richard, A., Myers, Stewart C., and Allen, Franklin, *Principles of Corporate Finance*, 12th edition, McGraw Hill, New York, NY, 2017.

Note: Other management accounting and finance textbooks and/or CMA Review course texts should cover the relevant material as well.

Collection of classic articles on strategy:

HBR's 10 Must Reads, On Strategy, Harvard Business School Publishing Corporation, Boston, MA, 2011

IMA Statement on Management Accounting useful in your preparation for the exam:

IMA Statement on Management Accounting, "Developing Competitive Intelligence Capability," 2016

IMA Statement on Management Accounting, "Strategic Risk Management: Optimizing the Risk-Return Profile," 2016

IMA Statement on Management Accounting, "IMA Statement of Ethical Professional Practice," 2014

IMA Statement on Management Accounting, "Enterprise Risk Management: Frameworks, Elements, and Integration," 2011

IMA Statement on Management Accounting, "Customer Profitability Management," 2010

IMA Statement on Management Accounting, "Values and Ethics: From Inception to Practice," 2008

IMA Statement on Management Accounting, "Enterprise Risk Management: Tools and Techniques for Effective Implementation," 2007

IMA Statement on Management Accounting, "Value Chain Analysis for Assessing Competitive Advantage," 1996

Business periodicals:

We strongly suggest that you read one or more of the following business periodicals to help you understand the strategies of multiple industries. Other relevant publications would help as well.

Bloomberg Business Week, The Economist, Forbes, Fortune, Harvard Business Review, Strategic Finance, and The Wall Street Journal.

CSCA Exam

Ratio & Formula Definitions



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CSCA EXAM

Abbreviations

EBIT = Earnings before interest and taxes

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBT = Earnings before taxes

EPS = Earnings per share

ROA = Return on assets

ROE = Return on equity

ROI = Return on investment

RI = Residual Income

EVA[®] = Economic Value Added

WACC = Weighted Average Cost of Capital

NOPAT = Net operating profit after taxes = After-tax cash operating income, after depreciation

Basic Financial Statement Analysis

Common size statement = line items on income statement and statement of cash flows presented as a percent of sales; line items on balance sheet presented as a percent of total assets

Common base year statements = (new line item amount / base year line item amount) x 100

Annual growth rate of line items = (new line item amount / old line item amount) – 1

Pricing

Elasticity is calculated using the midpoint formula.

For price elasticity of demand

$$E = [\text{change in quantity} / (\text{average of quantities})] / [\text{change in price} / (\text{average of prices})]$$

Financial Ratios

Unless otherwise indicated, end of year data is used for balance sheet items; full year data is used for income statement and statement of cash flow items.

Liquidity

Current ratio = current assets / current liabilities

Quick ratio or acid test ratio = (cash + marketable securities + accounts receivable) / current liabilities

Cash ratio = (cash + marketable securities) / current liabilities

Cash flow ratio = operating cash flow / current liabilities

Net working capital = current assets – current liabilities

Net working capital ratio = net working capital / total assets

Leverage

Degree of financial leverage = % change in net income / % change in EBIT, or
= EBIT / EBT

Degree of operating leverage = % change in EBIT / % change in sales, or
= contribution margin / EBIT

Financial leverage ratio = assets / equity

Debt to equity ratio = total debt / equity

Long-term debt to equity ratio = (total debt – current liabilities) / equity

Debt to total assets ratio = total debt / total assets

Fixed charge coverage = earnings before fixed charges and taxes / fixed charges
fixed charges include interest, required principal repayment, and leases

Interest coverage (times interest earned) = EBIT / interest expense

Cash flow to fixed charges = (cash from operations + fixed charges + tax payments) / fixed charges.

Note: cash from operations is after-tax.

Activity

Accounts receivable turnover = credit sales / average gross accounts receivables

Inventory turnover = cost of goods sold / average inventory

Accounts payable turnover = credit purchases / average accounts payable

Days sales in receivables = average accounts receivable / (credit sales / 365), or
= 365 / accounts receivable turnover

Days sales in inventory = average inventory / (cost of sales / 365), or
= 365 / inventory turnover

Days purchases in payables = average payables / (purchase / 365), or
= 365 / payables turnover

Operating cycle = days sales in receivables + days sales in inventory

Cash cycle = Operating cycle – days purchases in payables

Total asset turnover = sales / average total assets

Fixed asset turnover = sales / average net plant, property and equipment

Cost/volume/profit analysis

Breakeven point in units = fixed costs / unit contribution margin

Breakeven point in dollars = fixed costs / (unit contribution margin / selling price)

Margin of safety = planned sales – breakeven sales

Margin of safety ratio = margin of safety / planned sales

Profitability

Gross profit margin percentage = gross profit / sales

Operating profit margin percentage = operating income / sales

Net profit margin percentage = net income / sales
EBITDA margin = EBITDA / sales

Financial Performance Analysis

ROA = net income / average total assets
ROE = net income / average equity

DuPont model

ROA = net profit margin x total asset turnover
= (net income / sales) x (sales / average total assets)
= net income / average total assets

ROE = ROA x equity multiplier
= (net income / average total assets) x (average total assets / average common equity)
= net income / average equity

Extended DuPont model

ROE = net profit margin x total asset turnover x equity multiplier
= (net income/sales) x (sales/average total assets) x (average total assets/average common equity)

ROI = income of business unit / assets of business unit
= return on sales x asset turnover
= (profit/sales) x (sales/assets)

RI = income of business unit – (assets of business unit x required rate of return)
Note: "Income" means operating income unless otherwise noted

$EVA^{\circ} = NOPAT - [WACC \times (total\ assets - current\ liabilities)]$
 $= NOPAT - [WACC \times average\ invested\ capital]$
where
NOPAT = revenue – cash operating costs – depreciation – cash taxes on operating income
NOPAT = EBIT x (1 – tax rate)

Market

Market-to-book ratio = current stock price / book value per share
Price earnings ratio = market price per share / EPS
Price to EBITDA ratio = market price per share / EBITDA per share

Book value per share = (total stockholders' equity – preferred equity) /
number of common shares outstanding

Basic EPS = (net income – preferred dividends) / weighted average common shares outstanding
(Number of shares outstanding is weighted by the number of months shares are outstanding)

Diluted EPS = (net income – preferred dividends) / diluted weighted average common shares outstanding

(Diluted EPS adjusts common shares by adding shares that may be issued for convertible securities and options)

Earnings yield = EPS / current market price per common share

Dividend yield = annual dividends per share / market price per share

Dividend payout ratio = common dividend / earnings available to common shareholders

Shareholder return = (ending stock price – beginning stock price + annual dividends per share) / beginning stock price

Sustainable growth rate = (1- dividend payout ratio) x ROE