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*, 10th Edition, John Wiley & Sons, Inc., Edison, NJ, 2019

Hill, Charles W.L., Jones, Gareth R., and Schilling, Melissa A., *Strategic Management: Theory, an Integrated Approach,* 13th Edition, Cengage Learning, Stamford, CT, 2021.

Thompson, A. Peteraf, M., Gamble, J., and Strickland, A. J., *Crafting and Executing Strategy, The Quest for Competitive Advantage*, 22nd Edition, McGraw-Hill, New York, NY, 2020

Wheelen, Thomas L., Hunger, J. David, Hoffman, Alan N., and Bamford, Charles E., Concepts in *Strategic Management and Business Policy: Globalization, Innovation and Sustainability*, 15th Edition, Pearson Education, Inc., Upper Saddle River, NJ, 2018.

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, 8*th edition, McGraw Hill, New York, NY, 2019.

Brealey, Richard, A., Myers, Stewart C., and Allen, Franklin, *Principles of Corporate Finance*, 13th edition, McGraw Hill, New York, NY, 2020.

Datar, Srikant M., Rajan, Madhav V., *Horngren's Cost Accounting: A Managerial Emphasis*, 17th edition, Pearson, New York, NY, 2021

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 Statements on Management Accounting useful in your preparation for the exam:

Analytical Methods

IMA Statement on Management Accounting, "Strategic Analysis – Methods for Achieving Superior and Sustainable Performance," 2020

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

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

Risk Management

IMA Statement on Management Accounting, "Enterprise Risk Management: Frameworks, Elements, and Integration," 2018

IMA Statement on Management Accounting, "Enterprise Risk Management: Tools and Techniques for Effective Implementation," 2018

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

Technology Enablement

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

Business Leadership and Ethics

IMA Statement on Management Accounting, "IMA Statement of Ethical Professional Practice," 2017

IMA Statement on Management Accounting, "Values and Ethics: From Inception to Practice," 2014

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

CSCA® | **Certified in Strategy and Competitive Analysis**

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 = [change in quantity / (average of quantities)] / [change in price / (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

<u>DuPont model</u>
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

<u>Extended DuPont model</u>
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$^{®}$ = NOPAT – [WACC x (total assets – current liabilities)]
= NOPAT – [WACC x 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