Exam Strategies and Calculation Tips
Aug-Sept 2019 Exam Window

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Introduction

• Role of FP&A is to gather and interpret information with the goal of creating actionable business intelligence
• FP&A must provide timely and accurate commentary and reliable recommendations on how the organization can create value for its stakeholders
• This requires that FP&A understand the relationships between the organization’s financial goals and the host of data embedded in:
  – Financial statements, budgets and forecasts
  – Industry and competitive reports and analyses
  – Macroeconomic reports
• Review the FP&A information provided on the AFP website: https://fpacert.afponline.org/
Ability to See Behind the Information

• To distinguish between meaningful data and statistical noise
• To understand the effects of perspectives on information provided by other members of the organization
• To appreciate the uses and limitations of externally derived information
• To assess the quality and completeness of information
Basic Info on the Exam

- Exam consists of two parts that require a mastery of the critical skills, knowledge and abilities involved in the corporate financial planning and analysis function.
- The parts may be taken together or separately.
- Each part contains questions in several different areas of expertise known as knowledge domains.
- The FP&A Test Specifications can be found at: https://fpacert.afponline.org/exam/specifications
- Exam Functionality Tutorial can be found at: https://fpacert.afponline.org/preparation/tutorial
FP&A Exam – Part I

- **Financial Acumen: Understanding and Managing Financial Information and Business Relationships**
  - **Domain A:** Concepts of Business & Finance (52-58% of Exam, Part I)
  - **Domain B:** Systems and Technology (17-23% of Exam Part I)
  - **Domain C:** Business Partnering (22-28% of Exam Part I)
FP&A Exam – Part II

• **Financial Analysis and Business Support:**
  - *Building, Interpreting, and Communicating Financial Projections*
    - **Domain A:** Analysis and Projections
      (37-43% of Exam, Part II)
    - **Domain B:** Models and Analytics
      (42-48% of Exam Part II)
    - **Domain C:** Business Communication
      (12-18% of Exam Part II)
More on the Exam

- Part I Exam – Financial Acumen (3 hrs / 2 hrs & 35 min)
  - 140 M/C question computer-based exam
- Part II Exam – Financial Analysis (4.5 hrs / 4 hrs & 5 min)
  - 50 Task-Based Simulations (165 min)
  - 10 Case Analysis Questions (80 min)
- Multiple versions, with questions of various degrees of difficulty – no penalty for incorrect answers on MCQ & TBS
- There will be some number of unscored questions that are being tested for use in future exams
- Three types of questions: Multiple-Choice, Task-Based Simulations (TBS) & Case Analysis
- Two test windows (Feb/Mar & Aug/Sep)
- Information on Exam Scoring: https://fpacert.afponline.org/how-to-apply/fpa-exam-scoring
On-Screen Calculators

Using the Calculator

A built-in calculator is available for your use in multiple-choice items.

To open the calculator, click on the Calculator icon on the upper left side of the top navigation bar.

The calculator is available in two modes: (1) a standard four-function calculator and (2) a scientific calculator.
Data Set Questions

<table>
<thead>
<tr>
<th>Product</th>
<th>Profit ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>15</td>
</tr>
<tr>
<td>B</td>
<td>50</td>
</tr>
<tr>
<td>C</td>
<td>100</td>
</tr>
<tr>
<td>D</td>
<td>200</td>
</tr>
<tr>
<td>E</td>
<td>500</td>
</tr>
</tbody>
</table>
Spreadsheet Tool

Reset Problem - Resets the problem to its original state.

Caution: None of the spreadsheet cells are locked. It is therefore possible to format, change, or delete the information in the problem statement, the answer area, or the data table (in task-based simulations) or in a data set (in multiple-choice items). However, we strongly recommend that you avoid doing so.
Task-Based Simulation Questions

• All TBS Questions have 4 areas
  – Area for problem statement
  – Area for the answer
  – Area for data table
  – Open worksheet area

• Use any portion of the worksheet area to calculate your answer(s)

• You can reference, copy and edit the data in the data table area, BE VERY CAREFUL IN MAKING ANY CHANGES TO THIS DATA!!

• If you need to, the problem can be reset, restoring the data to its original values – BUT – any work you have done in spreadsheet area will be lost!!

• You should not type in any other cells in the answer area

• All TBS items will contain at least one tab for the problem itself – there may be additional tabs for other instructions or background material

• More than one response may be required, and they may be “free-form” or selected response from a pop-up box
TBS Screens

Problem Statement
Answer Area
Data Table
Sample TBS Question

Sales and production costs of a company's product are provided below.

Calculate the percent change in gross profit per unit if the price of shipping decreases by 50% (round to the nearest percent and state as an absolute value/positive number). Also, indicate the direction of the movement (increase or decrease).

<table>
<thead>
<tr>
<th>Change (%)</th>
<th>Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Select Response Above)</td>
</tr>
</tbody>
</table>

| Sales (units) | 1,000 |
| Sales Price ($ per unit) | 10 |
| Production Costs |
| Labor ($ per unit) | 5 |
| Materials ($ per unit) | 3 |
| Shipping ($ per unit) | 1 |
New Case Analysis Questions

• Case Analysis questions assess your ability to analyze situations that may be encountered by FP&A professionals and make appropriate judgments.
• Each case has three or more steps. In each step, information relevant to the case is provided on the left side of the screen, and a question appears on the right side of the screen.
• Additional information is added at each step in the case. The information from previous steps is also shown.
• Some steps may include one or more exhibits (such as spreadsheets or images) to be used in answering the question.
• If the exhibit contains a spreadsheet, the functionality of the spreadsheet tool in the exhibit is the same as that of the spreadsheets provided in the task-based simulation portion of the exam.
More on Case Analysis

• The information in the case DOES NOT change based on the actions you select in a step.
• For each step in a case, indicate all the actions that should be taken by an FP&A professional based on all the information available at that point in the case.
• Select as many actions as are needed to appropriately respond to the situation presented, but only select actions that are necessary; do not select actions that are optional.
• You MUST select at least one action before you will be able to move to the next step.
• After you respond to a step in a case analysis problem and click NEXT, you WILL NOT be able to go back to the steps you have previously seen. The reason for this is that new information is provided in each step that could potentially affect the decisions you made on the prior step.
Last Slide on Case Analysis

• In case analysis items, each step is scored independently of the previous or subsequent steps.
• For each step, points are awarded for selecting an appropriate action or may be awarded for avoiding an inappropriate action.
• Also, points may be deducted for selecting an action that is not appropriate or not necessary based on the information provided.
• This section has 10 questions and you have 80 minutes to complete it.
• No going back to previous questions on this section – all answers are FINAL!
More on the Spreadsheet

- The spreadsheet available for the exam will NOT have all of the functionality of Excel.
- You can enter in formulas, but there are NO wizards available, nor placeholders for the inputs.
- In M/C questions where calculations are required a scratch spreadsheet will be made available, or you may use one of the on-screen calculators.
- A tutorial on the spreadsheet is available as part of the Exam Functionality Tutorial on the FP&A website – be sure to review. ([https://fpacert.afponline.org/preparation/tutorial](https://fpacert.afponline.org/preparation/tutorial))
- A listing of all the functions supported by the spreadsheet is available through the AFP website – this PDF file will also be available to you during the exam by clicking on Help in lower left corner of screen (see in tutorial).
Important Spreadsheet Functions

• **Logical**
  – IF, AND, OR, NOT

• **Statistical or Math**
  – ABS, AVERAGE, COUNT, MAX, MEDIAN, MIN, MODE, NORMDIST, NORMINV, STDEV, SUM

• **Financial**
  – FV, INTRATE, IPMT, IRR, MIRR, NOMINAL, NPER, NPV, PMT, PPMT, PRICE, PV, RATE, YIELD

• **Lookup and Reference**
  – CHOOSE, HLOOKUP, LOOKUP, VLOOKUP
Example of PV Function

- **PV(rate,nper,pmt,fv,type)**
  - rate = interest rate in decimal
  - nper = number of periods
  - pmt = payment per period
  - fv = future value
  - type = begin or end of period

- You should try to memorize the format for some of the Key functions in order to save some time while taking the exam
Important Formulas

• Financial ratios (all are fair game)
• Economic Value Added (EVA)
• Time value (PV, FV, NPV, IRR, Payback)
• Cost accounting (fixed cost, variable cost, contribution/profit margins, Break Even, CVP)
• Activity-based Costing (direct vs. indirect & accruals)
• Statistics (Std Dev, Mean, Mode)
• Economics (Elasticity and demand curves)
• Headcount calculations (payroll cost per person)
• Budgeting (projected vs. actual, variances)
• Investments (bond duration, dividend yield, EPS)
Be Sure to Review the Tutorial

• Go through the available tutorial on the Exam Functionality, especially the sections on the spreadsheet, Task-Based Exercises and Case Analysis questions

• Plan on spending some of the 20 minute intro time at the exam becoming familiar with the spreadsheet tool and on-screen calculators

• Memorize key spreadsheet functions so you can easily use them on the exam
General Points & Tips – Before the Exam

- Review all of the test specifications – anything there could appear on the exam(s)
- Create a study plan to make the best use of your time between now and the exam
- Plan on a minimum of 72 hours over 2-3 months to prepare
- Make notes, flashcards, lists of equations, etc.
- Practice your “Formula Dump”
- Plan on taking the two parts of the exam separately – schedule your exam dates early, slots go quickly
- Practice all of the calculations using Excel, but always do the calculations “from scratch” – i.e., create a new formula each time you try a calculation
FP&A Exam Prep Platform

• The FP&A Exam Prep Platform is the preferred study resource for the Certified Corporate FP&A Professional Exam and is based on the test specifications for the 2019B - 2024A windows

• Fully digital interactive platform: study materials, evaluations, sample questions and customized progress tracking.
  – 18 hours of instructor-led video
  – 25 chapters of digital reading material
  – 5 case studies
  – 119 knowledge checks in quiz format
  – 2 sets of timed practice questions

• Available from AFP: https://fpacert.afponline.org/preparation/fp-a-exam-prep-platform
Prepare With A Plan

• Develop a study plan and stick to it!
• Important things to understand
  – Exam structure
  – Your strengths and weaknesses
  – How you learn and what works for you
Time for a Study Plan

• Study plan should be based on:
  – Knowledge gaps
  – Number of questions on the topic

• Plan your study times and places
  – Consistent times throughout the week
  – Find a place and environment that works for you

• Stick with your plan and spread your study time out (don’t cram)
Study Techniques

• Get the big picture
  – Avoid information silos
  – Develop and understanding of the big tasks involved in FP&A, and let the individual items fall into the process

• Understanding the why will make a big difference

• Look for connections within the material
  – Find things that are similar

• Understand the types of questions that you will see on the exam
It’s Almost Exam Time

• What should you do the night before the exam?
  – Relax and maybe see a movie?
  – Study?

• Control your nerves

• Know the exam center location, where to park, etc.
  – Don’t deal with those issues on exam day
General Points and Tips – At the Exam

• Be sure you know where the test center is located
• Bring at least two forms of ID – nothing is allowed into the testing room except for you and your ID
• You may be the only one at your site taking the FP&A exam, they administer many exams there
• Consider using the on-screen calculator for simple problems – it may be faster than using the spreadsheet
• You MUST complete the non-disclosure agreement within the first 3 minutes after you are logged onto the computer
More Exam Tips (for Part I Exam)

• You will have opportunity to take a short tutorial on the system and exam before starting Section 1 (about 20 min) – Practice with calculator and spreadsheet tool!

• Be sure you know how to use the Flag for Review feature and how to navigate the exam

• 140 multiple choice questions, with 155 minutes to complete = 66 seconds per question

• You must be logged out and logged back in again if you leave the room for bathroom break – clock does NOT stop
Still More Exam Tips

• Go through all the MCQs quickly on a first pass to “see what is there”
• You can write out any formulas you may need for calculation problems as they come up
• Use the white boards to log questions or to work out formulas
• Answer any easy MCQ or TBS items on this first pass, and mark the calculations and more difficult questions for later review
• No penalty for guessing on MCQs, so don’t leave anything blank
• Case Analysis is a new and different type of question - be sure to review info on AFP site
Some Key Things to Remember

• Complete the NDA within the allotted time!
• Use your work experience carefully when answering questions
• Manage your time (30 second rule)
• Answer everything!
  – Correct answer = 1 point on MCQs
  – Correct answer on TBS = 1.5 points
  – Incorrect answer or blank = 0 points
• Be a test maker, not just a test taker
• This is the first test window with new exam
• Your results will not be available until Oct. 15
More Key Things to Remember

• Answer the right question

• Read the question before you analyze the information

• Not sure
  – Enter your best guess
  – Flag it
  – Come back later

• Your first answer is often the right one

• Manage information to prepare, but manage time to pass

• Don’t Panic
Places for More Information

- FP&A Main Page: https://fpacert.afponline.org/
- Check out the FP&A Exam Prep Tab: https://fpacert.afponline.org/preparation
  - Webinars
  - FP&A Exam Prep Blog
  - Collaborate Community
  - FP&A Practice Spreadsheet
  - More Resources
  - Exam Guide with Sample Questions
  - Exam Functionality Tutorial
  - 2019 Exam Updates
Any Questions?

- The floor is now open for any questions you might have on the FP&A exam and certification.
- Contact DJ at:
  - djmasson@indiana.edu
  - Find me on LinkedIn
    www.linkedin.com/in/djmasson

- Contact Megan Ladd, FP&A Certification Specialist at mladd@afponline.org

- Questions about the Exam Prep Platform can be emailed to training@afponline.org