Why the Certified Corporate Financial Planning & Analysis Professional Credential?

Brian Kalish
Director, Finance Practice Lead
AFP

Donna Berzellini, CTP
Managing Director, Certification
AFP
Agenda

• Why is certification needed in the financial planning and analysis profession?
• Why AFP as the certifying body?
• How will the FP&A certification exam be designed and when will it be available?
• Overview of the Beta testing window
• Answer your questions
Role of Professional Certification

• **Develops people** - acquisition of knowledge, skills and abilities
• **Qualifies people** - confirmation that people have required knowledge, skills and abilities
• **Distinguishes people** - differentiates between proficiencies
• **Recognizes people** - acknowledgement of people who consistently perform to standards
Role of Professional Certification

Helps employers by:
• better defining and developing technical job competencies
• identifying job candidates who have acquired those attributes

Helps practitioners by:
• developing knowledge and skills required to perform technical job competencies
• recognizing competence - elevating professional status
• advancing career and improving marketability
Role of AFP in Certification for Finance Professionals

• Mission
• Experience as a certifying body
• Knowledge of the profession
• Provider of reliable, unbiased educational content
AFP’s Mission

To be the global resource and advocate for the finance profession.

– Network of 16,000 individual members and 150,000 registered subscribers worldwide
– Not-for-profit, member-directed organization
– Primary focus is on corporate finance practitioners
– Knowledge of members’ job functions and issues key to fulfillment of mission
AFP’s Experience as Certifying Body

• Sponsor of the Certified Treasury Professional (CTP) and Certified Cash Manager (CCM) credentials
• Earned by more than 26,000 individuals in 54 countries since 1986
• ~2,500 individuals register annually to take exam
• 83% of Fortune 500 companies hire CTPs
AFP’s Experience as Certifying Body

AFP has demonstrated *know-how* to:

- develop and maintain a psychometrically sound and legally defensible credential according to industry approved best practices
- develop and use professional standards to certify individuals
- to facilitate and administer a certification created *by* and *for* finance practitioners
AFP as Resource for Reliable, Unbiased Content

• 30+ years as provider of educational programs
• Original content, practitioner driven: not a pay-to-play model
• Publisher of body of knowledge for a certification
• Not-for-profit organization
Why FP&A Certification?
What is Included in the FP&A Function?

- Ownership of Core Processes and Enabling Technology, Drive Standardization
- Corporate & Business Reports & Analysis
- Strategic Planning and Budgeting
- Financial Measures and Performance Metrics
- Analyze Results and Trends, Model Scenarios
- Forecasting (demand, cash flow, performance)
- Coordination with Divisional Teams on Key Deliverables
- Preparation of Financial Presentations for BOD
- Strategic Planning & Analysis

AFP® Annual Conference
Field of Financial Planning and Analysis

• High value in being able to transform data into actionable knowledge (Where can the organization produce greatest ROI?)

• Growing importance of function

• Practitioners taking on expanded roles in FP&A practice within organizations
Field of Financial Planning and Analysis

Sits at *intersection* of

- Accounting
- Treasury
- Risk

*and*

- Sales
- Operations
- Investor Relations
Challenges Facing the FP&A Professional

- Varied organizational reporting structures, inconsistent visibility
- Limited professional development resources available
  - higher education
  - continuing education
  - best practices
Challenges Facing the FP&A Professional

• No agreement on job performance competencies
• Little consensus on proper techniques companies use to model and forecast
Field of Financial Planning and Analysis

“The hottest position today is financial planning and analysis.”
(Korn Ferry International’s Chuck Eldridge, 2009)

“64% of executive level (CFO, CEO) [survey] respondents report FP&A hardest position to fill.”
(APQC/ American Productivity and Quality Center, Sept, 2012)
FP&A Certification Drivers

Need for:

1. Defined universal principles and standards of practice for the complex FP&A profession

2. Practitioners recognized for their understanding of those complex processes, tools and best practices and therefore well-positioned to provide significant value to the strategic business decision process.
Certified Corporate Financial Planning & Analysis Professional™ Credential (FP&A)

• Sponsored and administered by the Association for Financial Professionals (AFP)

• Developed by practitioners for practitioners
  – The success of the FP&A credential is a function of active practitioner involvement.
  – Practicing FP&As are involved at every stage of the process.
  – Three years in the making.

• Developed following global standards of practice
  – AFP employs professional testing experts to assist in all aspects of the exam development process to ensure psychometric soundness and legal defensibility of the program.
Process of Designing a Certification Program

Sequential Steps:

1. Job Task Analysis (JTA)
   - Job tasks and required knowledge, skills and abilities identified.
   - Survey developed and sent to 5,000 FP&A practitioners around the world.
   - Respondents validated the job tasks and responsibilities and ranked importance of each.

2. Test Specifications
   - Based on survey results for frequency of tasks and importance ratings.
   - Knowledge domains and knowledge, skills and abilities developed, agreed upon by demographically-diverse FP&A practitioner volunteers.
Profile of the Newly Certified FP&A Professional

• Provides insights to the financial decision making process through analysis, financial projections (planning, budgeting and forecasting) and reporting.

• May work as member of team of financial analysts but also able to work independently.
Profile of Newly Certified FP&A Professional

– Able to gather qualitative and quantitative information on factors affecting the financial performance of the organization
– Able to analyze data and relevant facts, consolidate and convey insight to support decision makers and other stakeholders
– Able to understand financial concepts and identify key business drivers
Profile of Newly Certified FP&A Professional

– Able to assess and adapt his/her processes to changes in the business environment

– Able to understand and abide by professional conduct standards

– Able to communicate with others in a wide range of positions, internal and external to the organization
Profile of Newly Certified FP&A Professional

- Understands entire decision support process
  - Able to contribute to and be responsible for individual components of the process
  - Able to perform these functions accurately and in an efficient manner
Process of Designing a Certification Program

3. The Exam
   – Guided by test development professionals
   – Volunteer practitioners write, edit and approve test questions
     • Multiple exam forms created
   – Beta test administered
   – Minimum competency level determined (Cut Score)

4. Recertification
   – Frequency and amount of continuing education credits determined by FP&A practitioner volunteers
About the FP&A™ Credential

Credential Requirements

• Exam, Education and Experience
  – Candidates may enroll in the FP&A program and begin taking the exams before the education and experience requirements have been fully satisfied, but will not be awarded the credential until all requirements have been met.
  – **Five years** from date of enrollment to accomplish all 3 requirements.

• Renewal
  – 45 Hours of continuing education credits every three years.
About the FP&A™ Credential

Program Entrance Requirements

– Bachelor’s degree or global equivalent (any area of study)

  OR

– Enrolled in an undergraduate program with a finance, accounting or business major and be on track to graduate within two years.

  and

– Understand and agree to comply with AFP Standards of Ethical Conduct.
About the FP&A™ Credential

Experience Requirement

• Full Time Equivalent (FTE) Work Experience in FP&A position.
• 35 hours of work per week.
• At least 50% of time spent performing/managing or supervising those who perform/manage the following finance tasks:
  – Budgeting
  – Forecasting
  – Financial modeling
  – Corporate financial planning/strategic planning
  – Financial analysis
### About the FP&A™ Credential

**Education Requirements:**

- Finance, accounting or business degree **or**
- Additional finance and accounting coursework **or**
- Other Credentials- Approved credentials to replace finance, accounting or business degree

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<tr>
<th>Certifications Available for FP&amp;A™ Credential:</th>
<th>Accrediting Bodies:</th>
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<tbody>
<tr>
<td>Certified General Accountant (CGA)</td>
<td>Association of Chartered Certified Accountant Qualified (ACCA)</td>
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<tr>
<td>Certified Government Financial Manager (CGFM)</td>
<td>Institute of Chartered Accountants in England &amp; Wales Chartered Accountant (ACA)</td>
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<tr>
<td>Certified Internal Auditor (CIA)</td>
<td>Chartered Institute for Management Accountants (CIMA qualified)</td>
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<tr>
<td>Certified Management Accountant (CMA)</td>
<td>Chartered Financial Analyst (CFA)</td>
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<td>Certified Public Accountant (CPA)</td>
<td>Chartered Global Management Accountant (CGMA)</td>
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<tr>
<td>Certified Treasury Professional (CTP)</td>
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<td>Chartered Accountant (CA)</td>
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# About the FP&A™ Credential

To determine your eligibility please visit: [www.FPAcert.org/fpatool](http://www.FPAcert.org/fpatool)

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<tr>
<th>Category A</th>
<th>Category B</th>
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<tbody>
<tr>
<td>Undergraduate Education</td>
<td>Bachelor’s or global equivalent in accounting, finance or business</td>
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<td>Graduate Education</td>
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<td>Work Experience</td>
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<th>Category C</th>
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<td>Bachelor’s or global equivalent in accounting, finance or business</td>
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<tr>
<td>Graduate Education</td>
<td>Master’s degree of higher or global equivalent in a finance, accounting or business related field</td>
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<tr>
<td>Credential</td>
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<td>Work Experience</td>
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About the FP&A™ Credential

**Exam Requirements:** Pass both parts of exam.

Assesses candidates’ mastery of required **knowledge, skills and abilities** to execute critical functions performed by FP&A practitioners.

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<tr>
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<tbody>
<tr>
<td></td>
<td>Gathering and Interpreting Information: <strong>40%</strong></td>
<td>Understanding Financial Concepts and Communicating/Coordinating Work with Other Professionals: <strong>60%</strong></td>
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The FP&A™ Exam

- Two part examination.

<table>
<thead>
<tr>
<th>Part</th>
<th>Number of Questions</th>
<th>Testing Time</th>
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<tbody>
<tr>
<td>Part I</td>
<td>100-150</td>
<td>3 hours</td>
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<tr>
<td>Part II</td>
<td>130-170</td>
<td>4 hours, 30 minutes</td>
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- Multiple choice or spreadsheet-based questions. Computer-based.
- Differing degrees of difficulty.
- No penalty for incorrect answers.
- Scored and unscored questions.
- Standardized test with multiple versions randomly administered.
- Delivered annually, two 60-day windows: Feb/Mar and Aug/Sep
FP&A Exam Test Specifications

Domain A
Gathering and Interpreting Information: 40% of Exam Part I

CONTENT AREAS (KNOWLEDGE, SKILLS AND ABILITIES)

I.A.1  Knowledge of sources of historical information and historical financial data about an organization and its industry
I.A.2  Ability to understand corporate structure and functions (e.g., hierarchy, corporate groups, the value of the group to the organization, etc.)
I.A.3  Knowledge of sources of information about a company’s business environment, including sources of tax policies, economic indicators, business models, financial ratios, and industry metrics
I.A.4  Ability to read and interpret corporate annual reports
I.A.5  Ability to determine peer groups and competitors
I.A.6  Knowledge of basic macro-economic concepts used in financial planning (e.g., consumer price index, gross domestic product, exchange rates, interest rates, inflation rates, economic indicators, etc.)
I.A.7  Knowledge of implications of tax policies on projections
I.A.8  Knowledge of risk factors and risk management concepts (e.g., value at risk, hedging, insurance, interest rate risk, diversification, etc.)
I.A.9  Ability to define, incorporate, and report on financial and/or non-financial key performance/results indicators
I.A.10 Knowledge of strategic planning concepts and frameworks (e.g., SWOT [strength, weakness, opportunity, threat] analysis, Porter’s five forces model, growth share matrix, etc.)
I.A.11 Ability to determine information needs of and gather information from internal/external stakeholders and business partners (e.g., operations, sales, and marketing departments; senior management; customers; etc.)
I.A.12 Ability to create and maintain tools for information gathering (e.g., templates, surveys, etc.)
FP&A Exam Test Specifications

Domain B
Understanding Financial Concepts and Communicating/Coordinating Work with Other Professionals: 60% of Exam Part I

CONTENT AREAS (KNOWLEDGE, SKILLS AND ABILITIES)

I.B.1 Knowledge of finance principles and processes (e.g., financial management concepts, corporate finance activities, etc.)
I.B.2 Knowledge of general financial concepts and common financial formulas (e.g., time value, opportunity costs, debt structures and covenants, earnings per share, cost of capital, etc.)
I.B.3 Knowledge of financial accounting concepts, principles, and practices
I.B.4 Knowledge of the interactions/interrelationships of common financial statements
I.B.5 Knowledge of basic micro-economics (e.g., marginal costs, pricing, price elasticity of supply and demand, etc.)
I.B.6 Knowledge of managerial accounting/reporting and cost accounting concepts (e.g., costs throughout the production process, fixed and variable costs, cost allocation, contribution margins, etc.)
I.B.7 Knowledge of types of budgets/forecasts (e.g., zero-based budgets, annual budgets, rolling forecasts, etc.) and their application
I.B.8 Knowledge of the financial close process, including the resulting financial reporting activities, and the role of the FP&A function in the close/reporting process
I.B.9 Knowledge of general business terminology, practices, and processes (e.g., compensation structures, performance management, stock options, etc.)
I.B.10 Ability to define, coordinate, and communicate project/work flow elements (e.g., deadlines, deliverables, expectations, etc.)
I.B.11 Knowledge of effective communication and presentation techniques (e.g., building alliances with internal/external stakeholders and business partners, resolving communication issues, determining appropriate presentation techniques for various audiences, preparing reports, using charts/graphs, etc.)
FP&A Exam Test Specifications

Domain A
Analyzing Information: 35% of Exam Part II

CONTENT AREAS (KNOWLEDGE, SKILLS AND ABILITIES)
II.A.1 Ability to determine the applicability/acceptability of tools, processes, models, etc.
II.A.2 Ability to test and validate a model (e.g., cross-footing, consistency testing, reasonableness assessment, etc.)
II.A.3 Ability to determine the information that is needed to complete a task
II.A.4 Ability to identify outliers in data and determine the causes
II.A.5 Ability to develop assumptions, draw conclusions, assess the reasonableness of assumptions/conclusions, and test conclusions against various scenarios
II.A.6 Ability to perform a financial ratio analysis (e.g., debt/equity, accounts receivable days, liquidity ratios, etc.)
II.A.7 Ability to perform variance analysis and reporting (e.g., actuals versus prior periods, actuals versus plan, actuals versus forecast, etc.)
II.A.8 Ability to perform competitive analysis (e.g., benchmarking, peer group analysis, ratios, etc.)
II.A.9 Ability to determine and assess the seasonality of an industry or business
II.A.10 Knowledge of common statistical concepts
FP&A Exam Test Specifications

Domain B
Building Financial Projections: 35% of Exam Part II

CONTENT AREAS (KNOWLEDGE, SKILLS AND ABILITIES)

II.B.1 Ability to create financial statement projections (e.g., income statement, cash flow statement, balance sheet, etc.)
II.B.2 Ability to create a capital expenditure/investment analysis (e.g., discounted cash flow analysis, return on investment projections, net present value projections, etc.)
II.B.3 Ability to create sales volume/revenue projections
II.B.4 Ability to create expense and head count (staffing) projections
II.B.5 Ability to create specific customer/deal/product projections
II.B.6 Ability to create “what-if” scenarios
II.B.7 Ability to perform a sensitivity analysis
II.B.8 Ability to perform a risk analysis
Domain C
Using Technology/Software: 30% of Exam Part II

**CONTENT AREAS (KNOWLEDGE, SKILLS AND ABILITIES)**

**II.C.1** Ability to use basic spreadsheet functions

**II.C.2** Ability to use advanced spreadsheet functions (e.g., financial functions, pivot tables, value lookups, macros, integration with other common software, etc.)

**II.C.3** Ability to perform common statistical calculations (e.g., standard deviation, expected value, correlation, regression, means, modes, etc.) using a spreadsheet

**II.C.4** Ability to document and maintain models (e.g., understand documentation concepts, document assumptions, create supporting information and protocols, document functionality and structure, use software/data version control concepts and techniques, etc.)

**II.C.5** Knowledge of common database structures, common database functions, and structure/functions of common financial software/systems (e.g., business intelligence software, enterprise resource planning systems, general ledger systems, etc.)
## The FP&A™ Exam Pricing

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<th>Deadline</th>
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<th>Examination Fee</th>
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The FP&A™ Exam

• Importance of the Beta Exam
  – Establish passing score
  – Finalize test forms
  – Gauge testing times
  – Assess testing conditions

• Special pricing and rules
  – Exam registration, transfer fees
  – Must take both exam parts within Beta window (Feb/Mar)
  – Beta pass/fail results may take 6-8 weeks to determine.
The FP&A™ Exam

Deadlines

The Beta exam (both parts) window
February 1 – March 31, 2014

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<th>Form</th>
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<td>Registration Cancellation</td>
<td>December 9, 2013</td>
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<td>Registration Transfer</td>
<td>March 31, 2014</td>
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Study Resources

• FP&A List of References
  • www.fpacert.org/ref

• AFP Financial Planning & Analysis Learning System™
  • www.fpacert.org/afplst

• Webinars
  • www.fpacert.org/webinars

• FP&A Exam Study Network (Find a “Study Buddy”)
  • www.fpacert.org/StudyNet
AFP Financial Planning & Analysis Learning System™

AFP Annual Conference
Use Study Materials

- Assess current knowledge
- Create directed study plan
- Study domains
- Take quizzes
- Study flashcards
- Review case studies
- Take post-test to measure learning gain
- Review to close learning gaps
### Study Guidelines: How long will it take to prepare?

#### Part I
- ✔️ Assess knowledge with pre-test - 1 hour
- ✔️ Review reading materials - 13 hours
- ✔️ Take practice quizzes - 5 hours
- ✔️ Review flashcards - 1.5 hours
- ✔️ Complete case studies - 1 hour
- ✔️ Take post-test to measure learning gain - 1 hour
- ✔️ Take practice exam - 3 hours
- ✔️ Visit online resource center - 1-3 hours

**27 hours minimum**

#### Part II
- ✔️ Assess knowledge with pre-test - 1 hour
- ✔️ Review reading materials - 22.5 hours
- ✔️ Take practice quizzes - 7 hours
- ✔️ Review flashcards - 22.5 hours
- ✔️ Complete case studies - 1 hour
- ✔️ Take post-test to measure learning gain - 1 hour
- ✔️ Take practice exam - 3 hours
- ✔️ Visit online resource center - 1-3 hours

**40 hours minimum**

**67 hours minimum**

*The actual amount of time required to prepare will vary based on your FP&A experience, reading speed, learning style, and comfort with studying and test-taking.*
### AFP Financial Planning & Analysis Learning System™

www.afplearningsystem.com/fpa  - Try the demo!

<table>
<thead>
<tr>
<th>Learning System PLUS Beta Exam Bundle Price</th>
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<td>Learning System</td>
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<tr>
<td>Beta Examination Enrollment</td>
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<th>Learning System Prices</th>
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<td>AFP Member Standard Price (after 12/31/13)</td>
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<tr>
<td>AFP Non-Member Standard Price (after 12/31/13)</td>
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AFP Contacts

**Stacy Saul**  
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+1.301.961.8612  
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Director, Finance Practice Lead  
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bkalish@AFPonline.org

FPAcert@AFPonline.org
The Certified Corporate Financial Planning & Analysis Professional™ Credential

Will…

• **Set standards** in the corporate FP&A profession
• Be a **symbol of excellence**
• **Signify that an individual has:**
  – demonstrated the knowledge and skills required to perform **competently** in today's complex finance environment
  – passed a rigorous examination
  – agreed to abide by a **professional code of ethical conduct**
  – committed to keeping knowledge current by **meeting continuing education requirements**
Questions?