



FP&A[®]

Certified Corporate
**Financial Planning &
Analysis** Professional

CERTIFIED CORPORATE FP&A PROFESSIONAL[®]

Defining the Standard of Excellence in Business Planning,
Budgeting and Forecasting

Examination Preparation Guide

- The Examination
- Recommended Study Plan Development
- Recommended Study Strategies
- Test Taking Tips
- Sample Test Questions and Answer Key

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Testing Windows

Offered in 60-day testing windows for greater flexibility and convenience to candidates!

| Testing Window | Early Deadline* | Final Deadline** |
|-----------------------|-------------------|-------------------|
| August/September 2018 | May 11, 2018 | June 22, 2018 |
| February/March 2019 | November 16, 2018 | December 14, 2018 |

* Submit your application by this date and save \$100 on the final deadline fee. Only for new applications.

**Applications received after the final deadline will automatically be deferred to the next available testing window.

For eligibility requirements and an application, please see the Certification Candidate Guide.

For additional information please visit www.FPACert.org or call +1.301.907.2862 between 8:30 a.m. and 5:00 p.m. ET, Monday through Friday.

This edition of the FP&A Examination Preparation Guide supersedes all previous editions. Revised © 2017

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Study Strategies and Test Taking Tips

The following strategies and test taking tips are provided to help you better prepare for the FP&A exam.

Please refer to the Rules and Regulations on the FP&A website (www.FPACert.org/Rules) for important information on scheduling your exam and what to expect once you arrive at the test center. Regardless of how well you study for the exam, your efforts will go unrewarded if you do not fully comply with exam scheduling and test center admission requirements.

The Association for Financial Professionals® (AFP) wishes you the best in your efforts to prepare for the exam.

The Examination

The FP&A exam consists of two parts — Part I and Part II — that require a mastery of the critical skills, knowledge and abilities involved in the corporate financial planning & analysis function. The parts may be taken together or separately. Each part contains questions in several different areas of expertise known as knowledge domains. These domains can be found on our website: www.FPACert.org/TestSpecs.

Part I — Financial Acumen is a 125 question computer-based exam. *Part II — Financial Analysis* is a 125 question computer-based exam. The scheduled appointment time for Part I is 180 minutes, 155 minutes of which will be used to answer the questions presented. The scheduled appointment time for Part II is 270 minutes, 245 minutes of which will be used to answer the questions presented. There will be 25 minutes allotted to both parts of the exam for the non-disclosure agreement (NDA), exam tutorial and post-test survey.

There are multiple versions of the test. All versions are psychometrically equated to provide fairness to all candidates. The questions will have differing degrees of difficulty. There is no penalty for incorrect answers and both scored and unscored questions will be included on the exam. Unscored questions are included to gather data on their validity. While it is predetermined which questions will not be scored, candidates will not be able to distinguish them from the scored questions.

There are two types of exam questions: multiple-choice and task-based simulations (TBS). Multiple-choice items will appear as in most tests — with a question and multiple answer choices. TBS items contain spreadsheets and the format will change slightly depending on the contents of the item. Examples of TBS questions include items that ask the candidate to perform a calculation or give a data table and ask the candidate to perform an analysis. Part I of the test will have 110 multiple-choice questions and 15

task-based simulations. Part II will have 90 multiple-choice questions and 35 task-based simulations.

TBS questions will all have four areas — an area for the problem statement, an area for the answer, an area for the stimulus material, data tables, etc. and an open spreadsheet work area. You can use any portion of the worksheet area to calculate your answer(s). You can reference or copy the data in the stimulus area. You will enter your answer in the answer box(es) provided. Please note that none of the spreadsheet cells are locked. It is therefore possible to format, change, or delete the information in the problem statement, data tables, answer area, or data set. However, we strongly recommend that you avoid doing so. If you inadvertently change this information, you may click on the **Reset Problem** icon in the upper left corner of the spreadsheet to return to the original problem state. All work performed, answers provided, and format changes made in the spreadsheet will be lost when the **Reset Problem** icon is selected.

The spreadsheet tool works like many commercially available spreadsheets. A tool bar on the top border of the spreadsheet provides access to the available spreadsheet controls.

All TBS items will contain at least one tab for the problem itself. This tab contains the areas listed above. Items may contain additional tabs for additional instructions or for additional background material. These items may require one or more responses. Responses may be free numeric response (where you will enter a value in the answer box) or selected response (where you will select an answer from a pop up box.) Spreadsheet items are scored as correct or incorrect. To be scored as correct, you must place a correct response in every answer box provided.

Study Strategies and Test Taking Tips *(continued)*

A tutorial of the spreadsheet and a browser version of the spreadsheet is available on the FP&A website (www.FPACert.org/spreadsheet). As the spreadsheets on the exam will not have all of the functionality of the commercially available spreadsheets that candidates use in their jobs, it is highly recommended that candidates view the tutorial and practice tool.

Recommended Study Plan Development

Allow a sufficient period for studying. Review the knowledge domains to determine how familiar you are with the content.

Identify your “knowledge gaps.” This means that you need to identify what you do not know. If you are using the AFP Financial Planning & Analysis Learning System™, take the pre-test to identify content areas on which you need to focus extra study time. With career, family, and other demands, you may find that your study time is limited. While a thorough review of the exam content is beneficial, you will need to devote attention to areas that are less familiar to you.

Recommended Study Strategies

- Determine a study location that will allow you uninterrupted study periods.
- Create flash cards or recordings to review exam material. This will reinforce your learning.
- Arrange your study time by the percentage of test questions from each domain (These domains can be found on our website: www.FPACert.org/TestSpecs) and the amount of information you already know.
- Develop and share test questions with other candidates to challenge your knowledge. This will help you “drill down” into the material and acquire a greater understanding of some concepts.
- Try to closely simulate an exam experience. We strongly encourage candidates to test themselves in half the time that will be given during the actual exam. By doing so, you will allow yourself enough time to go back and review questions and answers.
- Familiarize yourself with the way the exam questions are structured and how the test will function from a technical standpoint.

A tutorial of the spreadsheet is available on the FP&A website (www.FPACert.org/spreadsheet).

Test Taking Tips

- Upon entering the testing room, immediately agree to the onscreen non-disclosure agreement (NDA). Failure to do so within three (3) minutes of entering the testing room will cause your exam to lock and you will forfeit your eligibility of that exam part for this window. To take that exam part during the next window, you will need to submit a Re-Examination form and pay the re-examination registration fee.
- If you are unsure about how to use the computer, or if you have any questions about the procedures for the exam, ask the testing center administrator before the exam begins.
- Programmable calculators, phones, smartphones, and PDAs are not allowed. An on-screen spreadsheet will be provided on the testing computer. This spreadsheet can be used as “scratch paper” for any needed calculations. White boards for scratch calculations will also be distributed by the exam proctor.
- There is no penalty for incorrect answers, so plan to answer every question. You are not penalized for guessing.
- After you have agreed to the NDA and the exam has begun, write difficult-to-remember formulas and concepts on your white board for later use.
- Answer questions that are obvious to you first. Mark difficult questions to come back to later. Every question, whether it is a definition or a complicated calculation, is worth the same number of points. Make your best selection and/or mark it for later review and move on to the next question.
- Do not go too fast, and never skim questions or answers. You may end-up making careless mistakes.
- Let your original answer stand unless you are completely sure about the new answer.
- Do not let your work experience dictate how you answer a question. The exam is testing your knowledge of professional standards.
- Ignore the other test-takers. Their anxiety can be contagious.
- Relax the night before the test and get a good night’s sleep. You have studied well in advance, so the night before the test is time to relax.
- Make sure you know exactly where the test center is located. If possible, drive to the center the day before the exam. Be sure to leave yourself plenty of time to get there on exam day.

Sample Test Questions

The following questions are similar to those on the FP&A examination. By reviewing them, you can familiarize yourself with the types of questions on the examination. These sample questions do not necessarily reflect the composition of the actual examination in terms of topic area emphasis, the mixture of calculations, definitions and application type questions or the level of difficulty of actual exam questions. The Answer Key can be found after Question 10.

Exam Part I.B

1. Which type of graphic would be most effective for presenting sales that are affected by seasonality?
 - A. Bubble chart
 - B. Line chart
 - C. Bar chart
 - D. Pie chart

Exam Part I.A

2. An FP&A professional is researching a competitor's financial condition. Which financial statement is the best source of data for determining the competitor's ability to repay its debt?
 - A. The competitor's income statement
 - B. The competitor's statement of retained earnings
 - C. The competitor's statement of cash flow
 - D. The competitor's balance sheet

Exam Part I.B

3. What does internal rate of return represent?
 - A. The rate at which net present value is negative
 - B. The rate at which net present value is maximized
 - C. The rate at which net present value is zero
 - D. The rate at which net present value is minimized

Exam Part I.A

4. The FP&A team at a large company has been tasked with implementing an enterprise resource planning (ERP) system to streamline budgeting and forecasting. Who should the FP&A manager collaborate with during the requirements stage of the project?
 - A. FP&A staff, information technology staff, and procurement staff
 - B. Business units, FP&A staff, and information technology staff
 - C. Business units, procurement staff, and auditors
 - D. FP&A staff, information technology staff, and vendors

Exam Part I.A

5. Which benchmark can an FP&A professional calculate based on information normally found on a corporate annual report?
 - A. Return on equity
 - B. Manufacturing cost per unit of production
 - C. Sales per full-time employee
 - D. Human resource expenses to sales

Exam Part II.A

6. An FP&A professional wants to quantify the strength and direction of the relationship between overhead expenses and employee head count in a company's business units. What quantitative measure should be computed in this analysis?
 - A. Correlation coefficient
 - B. Standard deviation
 - C. Weighted average
 - D. Confidence interval

Sample Test Questions

Exam Part II.C

7. Problem Statement:

A company has run a multiple regression analysis between units sold (Y), advertising spent (X1), and sale price (X2), obtaining the function:

$$Y = 30,005 + 0.4(X1) - 0.5(X2)$$

The company has decided to use this function to predict future sales. How much revenue would the company generate if it assigns an advertising budget of \$200,000 and defines the sales price of its product at \$10?

Exam Part I.A

8. Problem Statement:

The consumer price index (CPI) was 204.1 in Year 1 and 207.4 in Year 2. Calculate the rate of inflation between Year 1 and Year 2 (rounded to two decimal places).

Exam Part II.A

9. Problem Statement:

A company's fiscal year is the calendar year. Total direct costs forecasted for a fiscal year are \$150,000 and year-to-date direct costs at the end of March are \$31,000. Calculate the direct cost variance if the spend rate remains unchanged throughout the year. Drop down choices are "favorable" and "unfavorable"

Exam Part II.B

10. Information from a company's income statement for Year 0 is provided in the table below. The company is using the following assumptions for forecasting purposes:

- Sales are expected to grow at 2.6% per year.
- Cost of goods sold as a percentage of sales is expected to decrease by 0.5 percentage points in Year 1 and remain at that rate through Year 2.
- All other costs are expected to grow by 1.5% per year.

Based on these assumptions, calculate the company's operating income for Year 2 (round to the nearest dollar).

| | |
|--|--------------|
| Sales | \$40,000,000 |
| Cost of Goods Sold | \$12,000,000 |
| Research & Development | \$5,000,000 |
| Sales & Marketing | \$2,000,000 |
| General & Administrative Expenses | \$1,000,000 |
| Operating Income | \$20,000,000 |

Sample Test Answer Key

- 1. B
- 2. D
- 3. C
- 4. B
- 5. A
- 6. A
- 7. Answer: \$1,100,000
 Rationale: Calculation as follows:
 $Unit\ Sold = 30,005 + 0.4 \times 200,000 - 0.5 \times 10$
 $Unit\ Sold = 30,005 + 80,000 - 5$
 $Unit\ Sold = 110,000$
 $Revenue = 110,000\ Units\ Sold \times \$10\ per\ Unit$
 $Revenue = \$1,100,000$
- 8. Answer: 1.62%
 Rationale: The formula to determine the rate of inflation is equal to the growth rate in CPI from one year to the next.

 $Rate\ of\ Inflation = (CPI\ of\ most\ recent\ year - CPI\ of\ previous\ year) / CPI\ of\ previous\ year \times 100$
- 9. Answer: \$26,000 Favorable
 Rationale: In order to arrive at the solution calculate the annualized amount of direct expenses based on the stated burn rate and month in the year. Total direct expenses in 3 months are \$31,000.

 $Annualized\ direct\ expenses\ will\ be\ 12 / 3 \times 31,000 = \$124,000.$
 $\$150,000 - \$124,000 = \$26,000\ Favorable.$

10. Answer: \$21,443,663

Rationale:

| | Year 0 | Year 1 | Year 2 |
|---|----------|--------|--------|
| Sales Growth | | 2.6% | 2.6% |
| Cost of Goods Sold as % of Sales | 30.0000% | 29.5% | 29.5% |
| Other Costs | | 1.5% | 1.5% |

| | Year 0 | Year 1 | Year 2 |
|--|--------------|--------------|--------------|
| Sales | \$40,000,000 | \$41,040,000 | \$42,107,040 |
| Cost of Goods Sold | \$12,000,000 | \$12,106,800 | \$12,421,577 |
| Research & Development | \$5,000,000 | \$5,075,000 | \$5,151,125 |
| Sales & Marketing | \$2,000,000 | \$2,030,000 | \$2,060,450 |
| General & Administrative Expenses | \$1,000,000 | \$1,015,000 | \$1,030,225 |
| Operating Income | \$20,000,000 | \$20,813,200 | \$21,443,663 |



About AFP®

Headquartered outside Washington, D.C., the Association for Financial Professionals (AFP) is the professional society that represents finance executives globally. AFP established and administers the Certified Treasury Professional and Certified Corporate FP&A Professional credentials, which set standards of excellence in finance. The quarterly AFP Corporate Cash Indicators serve as a bellwether of economic growth. The AFP Annual Conference is the largest networking event for corporate finance professionals in the world.

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