

# A model approach cima

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Capturing Residual Value and CIMA\*\*

**What is Capturing Residual Value?** Capturing residual value refers to the process of maximizing the remaining value of an asset or business beyond its original cost or depreciated value. It involves identifying and leveraging opportunities to generate additional revenue or reduce expenses.

**What is CIMA?** CIMA stands for the Chartered Institute of Management Accountants, a global professional accounting body.

**Difference between CGMA and CIMA** CGMA is a global certification offered by the American Institute of CPAs (AICPA) and CIMA. It signifies expertise in management accounting and financial management. While CIMA is a UK-based certification, CGMA is recognized worldwide.

**Stakeholder CIMA** Stakeholder CIMA is an initiative by CIMA that recognizes stakeholders' interests in the success and performance of organizations. It provides guidelines for organizations to engage with stakeholders and create value for them.

**Residual Value Approach** The residual value approach is a method of valuing a business or asset by estimating its future cash flows and deducting its disposal value. The remaining value represents the residual value.

**Residual Value Model** The residual value model is a financial model used to estimate the residual value of an asset or business. It involves predicting future cash flows, projecting depreciation, and discounting the net cash flows back to present value.

**Levels of CIMA** CIMA has three levels of professional qualifications:

- Certificate in Business Accounting
- Professional Qualification in Management Accounting
- Professional Gateway

**Why is CIMA Difficult?** CIMA is considered challenging due to its rigorous curriculum, which covers a wide range of topics in management accounting, finance, and business strategy. It requires a strong understanding of accounting principles and analytical skills.

**Is CIMA Harder than ACCA?** The difficulty of CIMA and ACCA (Association of Chartered Certified Accountants) is subjective and varies depending on individual abilities and preferences. Both certifications are highly respected and require a significant amount of effort to obtain.

**Is CIMA Better than CFA?** CIMA and CFA (Chartered Financial Analyst) are both prestigious certifications, but they serve different purposes. CIMA focuses on management accounting and finance, while CFA specializes in investment management. The choice depends on the individual's career goals and interests.

**Can I Convert CGMA to CPA?** In some cases, CGMA holders may be eligible to convert their certification to a CPA (Certified Public Accountant) in the United States through the AICPA's International Qualification Evaluation Program (IQEP).

**Is CIMA Accepted in the USA?** Yes, CIMA is accepted in the United States and is recognized by many employers and professional organizations.

**Pillars of CIMA** The three pillars of CIMA are:

- Strategy and Governance
- Performance Management
- Risk Management

**Stakeholders** The four main stakeholder groups are:

- Shareholders
- Customers

- Employees
- Suppliers

**7 C's of Stakeholder Management** The 7 C's of stakeholder management are:

- Communicating
- Consulting
- Cooperating
- Coordinating
- Collaborating
- Committing
- Championing

**Residual Approach** The residual approach to valuation estimates the residual value of a business or asset by subtracting the value of its liabilities from its total assets.

**Calculating Residual Value** To calculate residual value, estimate the asset's disposal value and subtract it from its net book value (asset cost - accumulated depreciation).

**Residual Index (RI)** RI is a financial ratio that measures the efficiency of an investment project. It is calculated as the residual value divided by the initial investment.

**Residual Model** The residual model is a statistical model that predicts a dependent variable (such as asset value) using one or more independent variables (such as market data).

**Residual Theory Approach** The residual theory approach to valuation assumes that the value of an asset is equal to the present value of its future cash flows plus its residual value.

**Advantages of Residual Model** The residual model is advantageous because it incorporates future cash flows and disposal value, providing a comprehensive estimate of an asset's value.

**Strategic Level in CIMA** The strategic level in CIMA is the third and final level of professional qualification. It focuses on developing strategic thinking, leadership skills, and the ability to make high-level decisions.

**Completing CIMA Quickly** To complete CIMA quickly, consider the following tips:

- Study consistently and allocate sufficient time for each subject.
- Utilize past papers and study materials effectively.
- Join study groups or online forums for support and collaboration.

**Is CIMA Higher than ACCA?** CIMA and ACCA are both recognized professional accounting qualifications with different levels of emphasis and areas of expertise. Neither is considered "higher" or "lower" than the other.

**Interpreting Residual Value** The residual value provides insight into the asset's expected future value and can be used for decision-making related to asset management and disposal.

**Capturing Value** Capturing value refers to the process of identifying and exploiting opportunities to create and maximize value for stakeholders.

**30% Residual Value** A 30% residual value means that an asset is expected to retain 30% of its original cost after its useful life.

**Difference between Capturing and Creating Value** Capturing value involves extracting value from existing assets, while creating value involves generating new value through innovation and growth.

**Residual of a Model** The residual of a model represents the unexplained variation in the dependent variable that cannot be accounted for by the independent variables.

**Use of Residual Value** Residual value is used in various scenarios, such as:

- Asset valuation
- Lease termination
- Predicting future cash flows

**High vs. Low Residual Value** A high residual value indicates a well-maintained or high-demand asset, while a low residual value suggests depreciation or obsolescence.

**Capture Amount** The capture amount is the amount of value that an organization can extract from a specific opportunity or asset.

### **Benefits of Value Capture**

- Increased revenue
- Reduced costs
- Enhanced profitability
- Improved customer satisfaction

### **Objectives of Value Capture**

- Identify and exploit value-creating opportunities
- Align stakeholders' interests
- Drive sustainable growth

**Residual Value in IFRS** Under IFRS, residual value is considered part of an asset's fair value for financial reporting purposes.

**55 as a Good Residual Value** 55% is generally considered a good residual value for an asset, indicating its potential for continued value after its useful life.

**Formula for Residual Value**  $\text{Residual Value} = \text{Net Book Value} - \text{Disposal Value}$

**Value Creation and Capture** Firms create value through innovation, product development, and customer service, while they capture value through pricing strategies, revenue models, and service offerings.

**Value Capture and Profit** Value capture is broader than profit, as it encompasses all forms of value creation and extraction, regardless of whether they are recognized as revenue.

**Business Model Canvas Capturing Value** The business model canvas capturing value component focuses on understanding how the organization delivers value to its customers and generates revenue.

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