CMA$^{Q\&As}$

Certified Management Accountant

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QUESTION 1

A per-unit transfer price from the Video Cards Division to the Entertainment Division at full cost. $9.15, would

A. Allow evaluation of both divisions on a competitive basis.

B. Satisfy the Video Cards Division\\'s profit desire by allowing recovery of opportunity costs.

C. Provide no profit incentive for the Video Cards Division to control or reduce costs.

D. Encourage the Entertainment Division to purchase video cards from an outside source.

Correct Answer: C

QUESTION 2

What happens to the NPV of a 1-year project if fixed costs are increased from $200 to $300, the firm is profitable, has a 35% tax rate and employs a 12% cost of capital?

A. NPV decreases by $100.

B. NPV decreases by $89.29.

C. NPV decreases by $65.

D. NPV decreases by $58 .05%

Correct Answer: D

The $100 increase in costs is tax deductible. Therefore, the after-tax effect is only $65. Discounting the $65 decline at 12% (PV factor = .893) results in a decline in NPV of $58.05.

QUESTION 3

A company\\'s product has an expected 4-year life cycle from research, development, and design through its withdrawal from the market. Budgeted costs are Upstream costs (RandD. design) $2,000,000 Manufacturing costs 3.000.000 Downstream costs (marketing, distribution, customer service) 1,200.000 After-purchase costs 1.000.000 The company plans to produce 200.000 units and price the product at 125% of the whole- life unit cost. Thus, the budgeted unit selling price is

A. $15

B. $31

C. $36

D. $45

Correct Answer: D

QUESTION 4

Under the Monte Carlo method,

A. The model is run once.

B. Uncertainly is simulated.

C. Total performance is determined.

D. Probability distribution is not used.

Correct Answer: B

The Monte Carlo method is a tool used to evaluate problem solutions. Random behavior may be added to otherwise deterministic models to simulate the uncertainly inherent in real-world situations. The model is run a large number of times1 and the variance of the probability distribution of the results and the average performance are determined.

QUESTION 5

A firm averages $4000 in sales per day and is paid, on an average1 within 30 days of the sale. After they receive their invoice, 55% of the customers pay by check, while the remaining 45% pay by credit card. Approximately how much would the company show in accounts receivable on its balance sheet on any given date?

A. $4000

B. $120.000

C. $48,000

D. $54000

Correct Answer: B

If sales are $4000 per day, and customers pay in 30 days1 30 days of sales are outstanding, $120,000. Whether customers pay by credit card or cash, collection requires