IMANET-CMA Q&As

Certified Management Accountant (CMA)

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QUESTION 1

Madengrad Company manufactures a single electronic product called Precisionmix. This unit is a batch-density monitoring device attached to large industrial mixing machines used in flour, rubber, petroleum, and chemical manufacturing. Precisionmix sells for $900 per unit. The following variable costs are incurred to produce each Precisionmix device: Madengrad\\'s income tax rate is 40%, and annual fixed costs are $6,600,000. Except for an operating loss incurred in the year of incorporation, the firm has been profitable over the last 5 years.Assume a 10% increase in annual fixed costs, a 20% unit cost increase for direct labor1 and a reduction in unit material costs of 25%, with no change in selling price. Madengrad Company\\'s breakeven point would increase (decrease) (rounded to the nearest whole unit) by

Direct labor	$180
Direct materials	240
Factory overhead	105
Total variable production costs	525
Marketing costs	75
Total variable costs	$600

A. 3,960 units.

B. (1.620) units.

C. 1,604 units.

D. 407 units.

Correct Answer: D

QUESTION 2

If a firm uses external financing as a plug item, has a new capital budget of $1 million, a net income of $750,000, and a plowback ratio of 40%. how much should be raised in external funds?

A. $300,000

B. $450,000

C. $550,000

D. $700,000

Correct Answer: D

Mumping the 40% plowback ratio times the $750,000 of income produces $300,000 of funds for arrestment. Subtracting the $300,000 from the $1 million needed results in $700,000 to be obtained from external sources.

QUESTION 3

A company uses a planning system that focuses first on the amount and timing of finished goods demanded and then determines the derived demand for raw materials,components,and subassemblies at each of the prior stages of production.this system is

A. An economic order quality model

B. Materials requirement planning

C. Linear programming

D. Just-in-time purchasing

Correct Answer: B

Materials requirements planning(MRP)is a system that translates a production schedule into requirements for each components needed to meet the schedule.it is usually implemented in the form of a computer based onformation system designed to plan and control raw materials used in production.it assumes that forecasted demand is reasonably accurate and that suppliers can deliver based upon this accurate schedule.MRP is a centralized push-through systeml;output based on foecasted demand is pushed through to the next department or to inventory.

QUESTION 4

Assume that the probability distribution of Nap\\'s is normal. The firm considers true risk occurring if the project results in a NPV that is zero or less. If the expected NPV is $1,000 and the standard deviation of NPV is $500, what is the probability that the project has an NPV of 0 or less?

A. Less than 3%.

B. Greater than 3%, but less than 9%.

C. Greater than 9%, but less than 16%.

D. Greater than 16%.

Correct Answer: A

Since three standard deviations incorporate over 99% of all observations, and two standard deviations incorporate over 95% of observations, it means less than 5% will not be included within two standard deviations, and this is divided between both ends of the normal curve. Therefore, less than 2.5% of the observations will be in the negative portion of the curve.

QUESTION 5

The maximum benefit forgone by using a scarce resource for a given purpose and not for the next-best alternative is called?

A. Opportunity cost.

B. Sunk cost.

C. Incremental cash flow.

D. Net initial investment.

Correct Answer: A

An opportunity cost is the maximum benefit forgone by using a scarce resource for a given purpose and not for the next-best alternative. In capital budgeting, the most basic application of this concept is the desire to place the company\\'s limited funds in the most promising capital project(s).