



# IMANET-CMA<sup>Q&As</sup>

Certified Management Accountant (CMA)

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**QUESTION 1**

Which of the following is most like an evolutionary process that causes structural change in an industry?

- A. Protection of proprietary knowledge.
- B. Barriers to entry.
- C. Innovation,
- D. Lack of buyer sophistication.

Correct Answer: C

According to Porter, the focus of the analysis of industry evolution should be on evolutionary processes that create structural change in an industry. They operate to move an industry from its initial structure to its potential structure. The nature of that structure and the speed at which it will be achieved are junkie to be known. They depend on numerous factors that are hard to predict, such as innovations in technology, products, processes, and arketing\_resources and skills of firms; favor Leorunfavorale random events, and judgments about investments.

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**QUESTION 2**

Personal selling is the promotion tool that is

- A. The cheapest
- B. The most effective in the end stage of marketing.
- C. Effective because it is impersonal.
- D. Least effective when customers feel some obligation.

Correct Answer: B

Personal selling involves human interaction and mutual observation. It is the best method of inducing action in the end stages of the purchasing process. Among the platforms are meetings, presentations, fairs, and trade shows. Personal selling allows the development of relationships and may generate a sense of obligation by 1jthe potential customer.

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**QUESTION 3**

Condensed monthly operating income data for Korbin, Inc. for May follows: Additional information regarding Korbin's operations follows: One-fourth of each store's direct fixed costs would continue if either store is closed. Korbin allocates common fixed costs to each store on the basis of sales dollars. Management estimates that closing the Suburban Store would result in a 10% decrease in the Urban Store's sales, while closing the Urban Store would not affect the Suburban Store's sales. The operating results for May are representative of all months. One-half of the Suburban Store's dollar sales are from items sold at variable cost to attract customers to the store. Korbin is considering the deletion of these items, a move that would reduce the Suburban Store's direct fixed expenses by 15% and result in a 20% loss of Suburban Store's remaining sales volume. This change would not affect the Urban Store. A decision by Korbin to eliminate the items sold at cost would result in a monthly increase (decrease) in Korbin's operating income of



	Urban Store	Suburban Store	Total
Sales	\$80,000	\$120,000	\$200,000
Variable costs	32,000	84,000	116,000
Contribution margin	\$48,000	\$ 36,000	\$ 84,000
Direct fixed costs	20,000	40,000	60,000
Store segment margin	\$28,000	\$ (4,000)	\$ 24,000
Common fixed cost	4,000	6,000	10,000
Operating income	\$24,000	\$ (10,000)	\$ 14,000

- A. \$(5,200)
- B. \$(1,200)
- C. \$(7,200)
- D. \$2,000

Correct Answer: B

If 50% of the Suburban Store's sales are at variable cost, its contribution margin (sales- variable costs) must derive wholly from sales of other items. However, eliminating sales at variable cost reduces other sales by 20%. Thus, the effect is to reduce the contribution margin to \$28,800 ( $\$36,000 \times 0.8$ ). Moreover, fixed costs will be reduced by 15% to \$34,000 ( $\$40,000 \times 0.85$ ). Consequently, the new segment margin is \$(5,200) ( $\$34,000$  direct fixed costs- $\$28,800$  contribution margin), a decrease of \$1,200 [ $\$(5,200) - \$(4,000)$ ].

#### QUESTION 4

Costs are allocated to cost objects in many ways and for many reasons. Which one of the following is a purpose of cost allocation?

- A. Evaluating revenue center performance.
- B. Measuring income and assets for external reporting.
- C. Budgeting cash and controlling expenditures.
- D. Aiding in variable costing for internal reporting.

Correct Answer: B

Cost allocation is the process of assigning and reassigning costs to cost objects. It is used for those costs that cannot be directly associated with a specific cost object. Cost allocation is often used for purposes of measuring income and



assets for external reporting purposes. Cost allocation is less meaningful for internal purposes because responsibility accounting systems emphasize controllability, a process often ignored in cost allocation.

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#### QUESTION 5

The element of the marketing communications mix that provides incentives to buy is

- A. Advertising.
- B. Public relations.
- C. Personal selling.
- D. Sales promotion

Correct Answer: D

Sales promotion offers customers short-term incentives to try or purchase the offering. Some possible platforms are coupons, samples, premiums, gifts, contests (e.g., lotteries), trade-ins, no-interest financing, and rebates. Sales promotion provides some additional customer value in exchange for inviting immediate action and draws attention to the offering.

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