



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

Certified Management Accountant (CMA)

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### QUESTION 1

Production of a special order will increase gross profit when the additional revenue from the special order is greater than

- A. The direct materials and labor costs in producing the order.
- B. The fixed costs incurred in producing the order.
- C. The indirect costs of producing the order.
- D. The marginal cost of producing the order.

Correct Answer: D

Gross profit will increase if the incremental or marginal cost of producing the order is less than the marginal revenue. Marginal cost equals the relevant variable costs assuming fixed costs are not affected by the special order.

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### QUESTION 2

The average collection period for a firm measures the number of days

- A. After a typical credit sale is made until the firm receives the payment.
- B. For a check to "clear" through the banking system.
- C. Beyond the end of the credit period before a typical customer payment is received.
- D. Before a typical account becomes delinquent.

Correct Answer: A

The average collection period measures the number of days between the date of sale and the date of collection. It should be related to a firm's credit terms. For example, a firm that allows terms of 2/15 net 30 should have an average collection period of somewhere between 15 and 30 days.

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### QUESTION 3

A company is deciding whether to purchase an automated machine to manufacture one of its products. Cash flows from this decision depend on several factors, interactions among those factors, and the probabilities associated with different levels of those factors. The method that the company should use to evaluate the distribution of net cash flows from this decision and changes in net cash flows resulting from changes in levels of various factors is

- A. Simulation and sensitivity analysis.
- B. Linear programming.
- C. Correlation analysis.
- D. Differential analysis.



Correct Answer: A

Simulation is a technique used to describe the behavior of real-world system overtime. This technique usually employs a computer program to perform the simulation computations. Sensitivity analysis examines how outcomes change as the model parameters change.

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#### QUESTION 4

If a firm's credit terms require payment within 45 days but allow a discount of 2% if paid within 15 days (using a 360-day year), the approximate cost or benefit of the trade credit terms is

- A. 2%.
- B. 16%.
- C. 48%.
- D. 24%

Correct Answer: D

Assume that an invoice is due in 45 days. However, the seller allows a 2% cash discount if the invoice is paid within 15 days. Given early payment the seller will receive their money at least 30 days (45--15) sooner than the contract requires. However, the seller is effectively paying 2% of the invoice price to receive the money 30 days early. The approximate annual interest cost is 24% because a 360-day year contains 12 periods of 30 days each.

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#### QUESTION 5

A proposed transfer price may be based upon the full-cost price Full-cost price is the price

- A. On the open market.
- B. Representing the cash outflows of the supplying division plus the contribution to the supplying division from an outside sale.
- C. Usually set by an absorption-costing calculation
- D. Set by charging for variable costs plus a lump sum or an additional markup, but less than full markup

Correct Answer: C

Full-cost price is the price usually set by an absorption-costing calculation and includes materials, labor, and a full allocation of manufacturing O/H. This full-cost price may lead to dysfunctional behavior by the supplying and receiving divisions, e.g., purchasing from outside sources at a slightly lower price that is substantially above the variable costs of internal production.

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