IMANET-CMA Q&As

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QUESTION 1

The following information applies to Oxford Company: A cash payment equal to 50% of purchases is made at the time of purchase1 and 25% is paid in each of the next 2 months. Purchases for the previous November and December were $140,000 per month. Payroll for a month is 10% of that month\\'s sales, and other operating expenses are 15% of the following month\\'s sales (July sales were $210,000). Interest payments were $25,000 paid quarterly in January and April. Oxford\\'s cash disbursements for the month of April were

	Purchases	Sales
January	$150,000	$100,000
February	150,000	200,000
March	150,000	250,000
April	130,000	250,000
May	130,000	300,000
June	100,000	230,000

A. $130,000

B. $140,000

C. $210,000

D. $235,000

Correct Answer: D

QUESTION 2

A firm seeking to optimize its capital budget has calculated its marginal cost of capital and projected rates of return on several potential projects. The optimal capital budget is determined by

A. Calculating the point at which marginal cost of capital meets the projected rate of return, assuming that the most profitable projects are accepted first.

B. Calculating the point at which average marginal cost meets average projected rate of return, assuming the largest projects are accepted first.

C. Accepting all potential projects with projected rates of return exceeding the lowest marginal cost of capital

D. Accepting all potential projects with projected rates of return lower than the highest marginal cost of capital.

Correct Answer: A

In economics, a basic principle is that a firm should increase output until marginal cost equals marginal revenue.

Similarly, the optimal capital budget is determined by calculating the point at which marginal cost of capital (which increases as capital requirements increase) and marginal efficiency of investment (which decreases if the most profitable projects are accepted first) intersect.

QUESTION 3

Total unit costs are

A. Relevant for cost-volume-profit analysis.

B. Needed for determining sunk costs.

C. Irrelevant in marginal analysis.

D. Independent of the cost system used to generate them.

Correct Answer: C

Marginal (incremental or differential) analysis determines the differences in costs among decision choices. Total unit costs are not relevant in marginal analysis because of the inclusion of costs that may not 1[vary among the possible choices considered. In marginal analysis, only the incremental costs are relevant.

QUESTION 4

A working capital technique which delays the outflow of cash is

A. Factoring.

B. A draft.

C. A lock-box system.

D. Electronic funds transfer.

Correct Answer: B

A draft is a three-part instrument in which one person (the drawer) orders a second person (the drawer) to pay money to a third person (the payee). A check is the most common form of draft. It is an instrument payable on demand in which the drawer is a bank. Consequently, a draft can be used to delay the outflow of cash. A draft can be dated on the due date of an invoice and will not be processed by the drawer until that date, thereby eliminating the necessity of writing a check earlier than the due date or using an EFT. Thus, the outflow is delayed until the check clears the drawer bank.

QUESTION 5

Advertising media macro timing involves

A. Scheduling advertising outlays for best effect during a short period.

B. Considering seasonal and business cycle factors.

C. Choosing the media to affect a targeted audience.

D. Choosing the vehicle within a medium for a certain size audience.

Correct Answer: B

Media timing involves considering seasonal and business cycle factors (macro timing). Variables are carryover effects of advertising and habitual behavior (i.e.1 repeat purchasing independent of advertising). The micro timing issue is how to schedule advertising outlays for best effect during a short period.