



CMA^{Q&As}

Certified Management Accountant

Pass IMANET CMA Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

<https://www.pass4itsure.com/cma.html>

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by IMANET
Official Exam Center

-  **Instant Download** After Purchase
-  **100% Money Back** Guarantee
-  **365 Days** Free Update
-  **800,000+** Satisfied Customers



**QUESTION 1**

All of the following are examples of imputed costs except

- A. The stated interest paid on a bank loan.
- B. The use of the firm's internal cash funds to purchase assets.
- C. Assets that are considered obsolete that maintain a net book value.
- D. Decelerated depreciation.

Correct Answer: A

An imputed cost is one that has to be estimated. Its a cost that exists but is not formally recognized in the accounting system and is the result of a process designed to recognize economic reality. An imputed cost is therefore relevant to the decision-making process. For example, the stated interest on a bank loan is not an imputed cost because it is specifically stated and requires a dollar outlay. But the cost of using retained earnings as a source of capital is unstated and has to be imputed.

QUESTION 2

All of the following may reduce the coupon rate on a bond issued at par except a

- A. Sinking fund
- B. Call provision.
- C. Change in rating from Aa to Aaa.
- D. Conversion option.

Correct Answer: B

A bond issued at par may carry a lower coupon rate than other similar bonds in the market if it has some feature that makes it more attractive to investors. For example, a sinking fund reduces default risk. Hence, investors may require a lower risk premium and be willing to accept a lower coupon rate. Other features attractive to investors include covenants in the bond indenture that restrict risky undertakings by the issuer and an option to convert the debt instruments to equity securities. The opportunity to profit from appreciation of the firm's stock justifies a lower coupon rate. An improvement in a bond's rating from Aa to Aaa (the highest possible) also justifies reduction in the risk premium and a lower coupon rate. However, a call provision is usually undesirable to investors. The issuer may take advantage of a decline in interest rates to recall the bond and stop paying interest before maturity.

QUESTION 3

In what way can the marketing department be organized to best focus on customer groups?

- A. Products marketed
- B. Markets served



C. Brands marketed

D. Geographic areas

Correct Answer: B

A market-management organization is appropriate when customers may be categorized by their distinct preference and buying habits. Market managers are staff personnel who report to a markets manger. The benefit of this type of organization is its emphasis on relationships with specific classes of customers as s basis for value creation.

QUESTION 4

When the risks of the individual components of a project's cash flows are different, an acceptable procedure to evaluate these cash flows is to

- A. Divide each cash flow by the payback period.
- B. Compute the net present value of each cash flow using the firm's cost of capital.
- C. Compare the internal rate of return from each cash flow to its risk.
- D. Discount each cash flow using a discount rate that reflects the degree of risk.

Correct Answer: D

Risk-adjusted discount rates can be used to evaluate capital investment options. If risks differ among various elements of the cash flows, then different discount rates can be used for different flows.

QUESTION 5

Total production costs of prior periods for a company are listed as follows. Assume that the same cost behavior patterns can be extended linearly over the range of 31000to 35.000 units and that the cost driver for each cost is the number of units produced.

	Production in Units per Month			
	3,000	9,000	16,000	35,000
Cost X	\$23,700	\$ 52,680	\$ 86,490	\$178,260
Cost Y	47,280	141,840	252,160	551,600

What is the average cost per unit at a production level of 8,000 units for costX?

- A. \$5.98
- B. \$5.85
- C. \$7.90
- D. \$4.83



Correct Answer: A

QUESTION 6

Which relationship marketing level is appropriate for a low unit profit margin and many customers?

- A. Reactive marketing.
- B. Basic marketing.
- C. Partnership marketing.
- D. Proactive marketing.

Correct Answer: B

A firm must determine the appropriate investment in building customer relationships. The levels of investment depend on unit profit margins and the numbers of customers. Basic marketing consists only of selling (low-margin, many customers).

QUESTION 7

Rational decision making is a multistep process. In which stage of this process will effective communication to persons affected by the decision be most important?

- A. Evaluating possible solutions.
- B. Defining the problem.
- C. Following up.
- D. Gathering relevant information.

Correct Answer: C

A decision cannot be communicated to affected parties until it has been made. Effective communication is vital to successful implementation of the change resulting from the decision. Follow-up to evaluate the decision will determine whether the decision was correct. One reason desired results may not be obtained is lack of effective communication.

QUESTION 8

Don Adams Breweries is considering an expansion project with an investment of \$1,500,000. The equipment will be depreciated to zero salvage value on a straight-line basis over 5 years. The expansion will produce incremental operating revenue of \$400,000 annually for 5 years. The company's opportunity cost of capital is 12%. Ignore taxes. What is the NPV of the investment?

- A. 1043%



B. 12.68%

C. 16.32%

D. 19.17%

Correct Answer: A

QUESTION 9

The net present value (NPV) method of investment project analysis assumes that the project's cash flows are reinvested at the

A. Computed internal rate of return.

B. Risk-free interest rate.

C. Discount rate used in the NPV calculation.

D. Firm's accounting rate of return.

Correct Answer: C

The NPV method is used when the discount rate is specified. It assumes that cash flows from the investment can be reinvested at the particular project's discount rate.

QUESTION 10

The Frame Supply Company has just acquired a large account and needs to increase its working capital by \$100,000. The controller of the company has identified the four sources of funds given below.

1.

Pay a factor to buy the company's receivable, which average \$125,000 per month and have an average collection period of 30 days. The factor will advance you to 80% of the face value of receivables at 10% and charge a fee of 2%.

2.

Borrow \$110,000 from a bank at 12% interest. A 9% compensating balance would be required.

3.

Issue \$110,000 of 6-month commercial paper to net \$100,000 (New paper would be issued every 6 months.)

4.

Borrow \$125,000 from a bank on a discount basis at 20%. No compensating balance would be required. Assume a 360-day year in all of your calculations. The cost of Alternative 2. to Frame Supply Company is

A. 9.0%



- B. 12.0%
- C. 13.2%
- D. 21.0%

Correct Answer: C

Even though the company will borrow \$110,000, it will have use of only \$100,100 because a 9% compensating balance, or \$9,900, must be maintained at all times. Consequently, the effective annual interest rate is 13.2% $[(\$110,000 \times 12\%) \div \$100,100]$.

QUESTION 11

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.

QUESTION 12

Assume that a probability can be assigned to each possible outcome of a decision, the outcomes are theoretically infinite, and the graph describing the probabilities is bell-shaped, symmetrical, and centered about the mean. This probability distribution is best described as

- A. Discrete and normal
- B. Discrete but not normal
- C. Continuous and normal
- D. Continuous but not normal

Correct Answer: C

A probability distribution is the set of all possible outcomes of a decision, with a probability assigned to each outcome. For example, a simple probability distribution might be defined for the possible returns on a stock investment. A different return could be estimated for each of a limited number of possible states of the economy, and a probability could be determined for each state. Such a probability distribution is discrete because the outcomes are limited. A continuous distribution is one for which outcomes are theoretically infinite. The normal distribution is the best-known continuous distribution. The normal distribution has a symmetrical, bell-shaped curve centered about the mean.

**QUESTION 13**

Which one of the following would not be considered a caring cost associated with inventor?

- A. Insurance costs.
- B. Cost of capital invested in the inventory.
- C. Cost of obsolescence.
- D. Shipping costs

Correct Answer: D

Carrying costs are incurred to hold inventory. Examples include such costs as warehousing, insurance, the cost of capital invested in inventories, inventory taxes, and the cost of obsolescence and spoilage. Neither shipping costs nor the initial cost of the inventory are caring costs.

QUESTION 14

Gray market activity is in essence a form of arbitrage. To prevent this activity by their distributors, multinational firms

- I. Raise prices charged to lower-cost distributors.
- II.
- Police their distributors
- III. Change the product.

A.

I only

B.

I and II only

C.

II and III only

D.

I, II and III

Correct Answer: D

In a gray market, products imported from one country to another are sold by persons trying to make a profit from the difference in retail prices between the two countries. These activities clearly lower the profits in some markets of the multinational firm that was the initial seller. One response is to monitor the practices of distributors and retaliate if necessary. A second response is to charge higher prices to the low-cost distributors to reduce their incentives to participate in a gray market. A third response is to differentiate products sold in different countries, e.g., by adapting the product or offering distinct service features.



QUESTION 15

All of the following steps should be taken to help minimize risk and maximize profits associated with expanding into foreign markets except?

- A. Breaking branding partnerships.
- B. Understanding how diverse markets can come together to form a global branding landscape.
- C. Developing integrated marketing communications.
- D. Developing local guidelines so that local sales and profit goals are met.

Correct Answer: A

The firm may create branding partnerships. Global firms often form alliances with local distribution channels to increase the profitability while decreasing their marketing costs.

[CMA PDF Dumps](#)

[CMA Study Guide](#)

[CMA Exam Questions](#)