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.leads4pass.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

The degree of financial leverage of CompanyB, totwo decimal places, is

A. 1.03

B. 1.05

C. 1.12

D. 1.25

Correct Answer: B

The degree of financial leverage for Company B may be calculated as earnings before interest and taxes, divided by EBIT minus interest. EBIT is $200 ($95 NI + $10 interest + $95 tax expense). Thus, the DFL is `LOS [$200?($200--$10)].

QUESTION 2

The Dickins Corporation is considering the acquisition of a new machine at a cost of $180,000. Transporting the machine to Dickenss\\' plant will cost $12,000. Installing the machine will cost an additional $18,000. It has a 10-year life and is expected to have a salvage value of $10,000. Further more, the machine is expected to produce 4,000 units per year with a selling price of $500 and combined direct materials and direct labor costs of $450 per unit. Eederal tax regulations permit machines of this type to be depreciated using the straight-line method over 5 years with no estimated salvage value. Dickins has a marginal tax rate of 40%. What is the approximate payback period on Dickins\\' new machine?

A. 1.05years.

B. 1.S4years.

C. 1.33years.

D. 2.22 years.

Correct Answer: B

When annual cash inflows are uniform, the payback period is calculated by dividing the initial investment ($210,000) by the annual net cash inflows ($136,800). Dividing $210,000 by $136,800 produces a payback period of 1.54 years.

QUESTION 3

In a decision analysis situation1 which one of the following costs is generally not relevant to the decision?

A. Incremental cost.

B. Differential cost.

C. Avoidable cost.

D. Historical cost.

Correct Answer: D

Management decision analysis is based on the concept of relevant costs. Relevant costs differ among decision choices. Thus, incremental (differential or avoidable) costs are always relevant. Opportunity cost is also relevant because it is the benefit forgone by selecting one choice instead of another. Historical costs, because they occurred in the past, are sunk costs and not relevant to most management decisions.

QUESTION 4

An aging of accounts receivable measures the

A. Ability of the firm to meet short-term obligations.

B. Average length of time that receivables have been outstanding.

C. Percentage of sales that have been collected after a given time period.

D. Amount of receive blest at have been outstanding for given lengths of time.

Correct Answer: D

The purpose of an aging of receivables is to classiN receivables by due date. Those that are current (not past due) are listed in one column, those less than 30 days past due in another column, etc. The amount in each category can then be multiplied by an estimated bad debt percentage that is based on a company\\'s credit experience and other factors. The theory is that the oldest receivables are the least likely to be collectible. Aging the receivables and estimating the uncollectible amounts is one method of arriving at the appropriate balance sheet valuation of the accounts receivable account.

QUESTION 5

Which of the following is not a category of relevant cash flows?

A. Annual net cash flows.

B. Project termination cash flows.

C. Incremental cash flows.

D. Net initial investment.

Correct Answer: C

Relevant cash flows are a much more reliable guide when judging capital projects, since only they provide a true measure of a project\\'s potential to affect shareholder value. The relevant cash flows can be divided into three categories: (1) net initial investment, (2) annual net cash flows, and (3) project termination cash flows. An incremental cash flow is the difference in cash received or disbursed resulting from selecting one option instead of another. It is not a category of relevant cash flows.