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

QUESTION 1

Capital Invest, Inc. uses a 12% hurdle rate for all capital expenditures and has done the following analysis for four projects for the upcoming year:

	Project 1	Project 2	Project 3
Initial capital outlay	$200,000	$298,000	$248,000
Annual net cash inflows			
Year 1	65,000	100,000	80,000
Year 2	70,000	135,000	95,000
Year 3	80,000	90,000	90,000
Year 4	40,000	65,000	80,000
Net present value	(3,798)	4,276	14,064
Profitability index	98%	101%	106%
Internal rate of return	11%	13%	14%

Which project(s) should Capital Invest, Inc. undertake during the upcoming year assuming it has no budget restrictions?

A. All of the projects.

B. Projects 1, 2, and 3.

C. Projects 2, 3,and 4.

D. Projects 1, 3, and 4.

Correct Answer: C

A company using the NPV method should undertake all projects with a positive NPV, unless some of those projects are mutually exclusive. Given that Projects 2, 3, and 4 have positive NPVs, they should be undertaken. Project 1 has a negative NPV.

QUESTION 2

Elan Corporation is considering borrowing $100,000 from a bank for 1 year at a stated interest rate of 9%. What is the effective interest rate to Elan if this borrowing is in the form of a discounted note?

A. 8.10%

B. 9.00%

C. 9.81%

D. 9.89%

Correct Answer: D

Applying the 9% interest rate to a $100,000 loan results in interest expense of $9,000. If the loan is processed in the form of a discounted note, the interest will be deducted from the proceeds of the loan. Thus, the $9,000 of interest will be deducted from the $100,000 note, resulting in loan proceeds of $91,000. The borrower is paying $9,000 for a loan of $91,000, resulting in an effective interest rate of 9.89%.

QUESTION 3

None of the following items are deductible in calculating taxable income except A. Estimated liabilities for product warranties expected to be incurred in the future

B. Dividends on common stock declared but not payable until next year.

C. Bonus accrued but not paid by the end of the year to a cash-basis 90% shareholder

D. Vacation pay accrued on an employee-by-employee basis.

Correct Answer: D

Sec.162(a) states that a deduction is allowed for the ordinary and necessary expenses incurred during the year in any trade or business. A corporation may therefore deduct a reasonable amount for compensation Accrued vacation pay is a form of compensation that results in an allowable deduction for federal income tax purposes

QUESTION 4

In a manufacturing environment, the best short4erm profit maximizing approach would be to

A. Maximize unit gross profit times the number of units sold.

B. Minimize variable costs per unit times the number of units produced.

C. Minimize fixed overhead cost per unit by producing at full capacity.

D. Maximize contribution per unit times the number of units sold.

Correct Answer: D

In the short run, the best approach is to maximize the unit contribution margin (price - unit variable cost) times the units sold because fixed costs can be ignored. The important consideration is the total contribution margin available to cover fixed costs and contribute to profits.

QUESTION 5

The following information applies to Brandon Company: A cash payment equal to 40% of purchases is made at the time of purchase1 and 30% is paid in each of the next 2 months. Purchases for the previous November and December were $150,000 per month. Payroll is 10% of sales in the month it occurs, and operating expenses are 20% of the following month\\'s sales (July sales were $220,000). Interest payments were $20,000 paid quarterly in January and April. Brandon\\'s cash disbursements for the month of April were

	Purchases	Sales
January	$160,000	$100,000
February	160,000	200,000
March	160,000	240,000
April	140,000	300,000
May	140,000	260,000
June	120,000	240,000

A. $140,000.

B. $152,000.

C. $200,000.

D. $254,000.

Correct Answer: D