IMANET-CMA Q&As

Certified Management Accountant (CMA)

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QUESTION 1

A depreciation tax shield is?

A. An after-tax cash outflow

B. A reduction in income taxes.

C. The cash provided by recording depreciation.

D. The expense caused by depreciation.

Correct Answer: B

A tax shield is something that will protect income against taxation. Thus, a depreciation tax shield is a reduction in income taxes due to a company\\'s being allowed to deduct depreciation against otherwise taxable income.

QUESTION 2

After the goals of the company have been established and communicated, the next step in the planning process is development of the

A. Production budget.

B. Direct materials budget.

C. Selling and administrative budget.

D. Sales budget.

Correct Answer: D

The sale budge is the first step in the operating budget process because it is needed to prepare all of the other budgets. For example, the production budget cannot be prepared until the sales department has determined how many units are needed.

QUESTION 3

A weak competitor in a high-growth market is sometimes called a A. Dog.

B. Question mark.

C. Cash cow.

D. Star.

Correct Answer: B

A weak competitor En a high-growth market is called a question mark. They need large amounts cash to finance growth. However, if market share increases substantially. the question mark can become a star.

QUESTION 4

The risk that securities cannot be sold ate reasonable price on short notice is called

A. Default risk.

B. Interest-rate risk.

C. Purchasing-power risk.

D. Liquidly risk.

Correct Answer: D

An asset is liquid if it can be converted to cash on short notice. Liquidly (marketability) risk is the risk that assets cannot be sold ate reasonable price on short notice. If an asset is not liquid. Investors will require a higher return than for a liquid asset. The difference is the liquidly premium.

QUESTION 5

In calculating the total value of a bond, how much does the $1,000 to be received upon a bond\\'s maturity in 4 years add to the bond\\'s price if the discount rate is 6%?

A. $208.00

B. $747.00

C. $763.00

D. $792.00

Correct Answer: D

The 6% present value factor for four years is .792. Multiplying that times $1,000 results value of $792.00.