

# IMANET-CMA<sup>Q&As</sup>

Certified Management Accountant (CMA)

## Pass IMANET IMANET-CMA Exam with 100% Guarantee

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

<https://www.leads4pass.com/imanet-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 use of an accelerated method instead of the straight-line method of depreciation in computing the net present value of a project has the effect of

- A. Raising the hurdle rate necessary to justify the project.
- B. Lowering the net present value of the project.
- C. Increasing the present value of the depreciation tax shield.
- D. Increasing the cash outflows at the initial point of the project.

Correct Answer: C

Accelerated depreciation results in greater depreciation in the early years of an asset's life compared with the straight-line method. Thus, accelerated depreciation results in lower income tax expense in the early years of a project and higher income tax expense in the later years. By effectively deferring taxes, the accelerated method increases the present value of the depreciation tax shield.

---

**QUESTION 2**

What is the formula for the beta coefficient of a security?

- A. Covariance of the returns on the market and on the security / Variance of the return on the market.
- B. Covariance of the returns on the market and on the security x Variance of the return on the market.
- C. Variance of the return on the market / Variance of the return on the security.
- D. Variance of the return on the market x Variance of the return on the security. / Covariance of the returns on the market and on the security

Correct Answer: A

The word beta is derived from the regression equation for regressing the return of an individual security (the dependent variable) to the overall market return. The beta coefficient is the slope of the regression line. The beta for a security may also be calculated by dividing the covariance of the return on the market and the return on the security by the variance of the return on the market.

---

**QUESTION 3**

A per-unit transfer price from the Video Cards Division to the Entertainment Division at full cost. \$9.15, would

- A. Allow evaluation of both divisions on a competitive basis.
- B. Satisfy the Video Cards Division's profit desire by allowing recovery of opportunity costs.
- C. Provide no profit incentive for the Video Cards Division to control or reduce costs.
- D. Encourage the Entertainment Division to purchase video cards from an outside source.

Correct Answer: C

---

#### QUESTION 4

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 receivables, which average \$125,000 per month and have an average collection period of 30 days. The factor will advance up to 80% of the face value of receivables at 10% and charge a fee of 2% on all receivables purchased. The controller estimates that the firm would save \$24,000 in collection expenses over the year. Assume the fee and interest are not deductible in advance.

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 4. to Frame Supply Company is

A. 20.0%

B. 25.0%

C. 40.0%

D. 50.0%

Correct Answer: B

---

#### QUESTION 5

How much does each additional sales dollar contribute toward profit for a firm with \$4 million break-even level of revenues and \$1.2 million in fixed costs including depreciation?

A. \$0.30

B. \$0.33

C. \$0.50

D. \$0.67

Correct Answer: A

---

**QUESTION 6**

When making a decision to increase the robotic automation equipment in an existing face lily, a firm takes all of the following into consideration except

- A. Economies of scale.
- B. Opportunity cost.
- C. Technological efficiency.
- D. The initial cost of the current facility.

Correct Answer: D

A firm considers such factors as price, relationships with suppliers, product demand, avoidable future costs, and economies of scale, opportunity costs, technological efficiency, and the capital-labor ratio when evaluating the purchase of new equipment. The cost of the current facility would not be relevant because it is a sunk cost.

---

**QUESTION 7**

Which of the following pricing policies involves the selling company setting freight charges to customers at the actual average freight cost?

- A. Freight absorption pricing
- B. Uniform delivered pricing
- C. Zone pricing
- D. FOB-origin pricing.

Correct Answer: B

In uniform delivered pricing, the company charges the same price, inclusive of shipping costs, to all customers regardless of their location. This price is the company's average actual freight cost. Thus, both nearby and distant customers are charged the same amount. This policy is easy to administer, permits the company to advertise one price nationwide, and facilitates marketing to faraway customers.

---

**QUESTION 8**

Costs that increase as the volume of activity decreases within the relevant range are

- A. Average costs per unit.
- B. Average variable costs per unit.

C. Total fixed costs.

D. Total variable costs.

Correct Answer: A

As production levels decrease, total fixed costs must be allocated over fewer units. This increase in average fixed costs per unit increases total average cost per unit.

---

### QUESTION 9

The Dickins Corporation is considering the acquisition of a new machine at a cost of \$ 180,000. Transporting the machine to Dickins's 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. Furthermore, 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. Federal 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 net cash flow for the third year that Dickins should use in a capital budgeting analysis?

A. \$136,800

B. \$136,000

C. \$128,400

D. \$107,400

Correct Answer: A

The company will receive net cash inflows of \$50 per unit (\$500 selling price -- \$450 variable costs), a total of \$200,000 per year for 4,000 units. This amount will be subject to taxation. However, for the first 5 years, a depreciation deduction of \$42,000 per year (\$210,000 cost + 5 years) will be available. Thus, annual taxable income will be \$158,000 (\$200,000 -- \$42,000). At a 40% tax rate, income tax expense will be \$63,200, and the net cash inflow will be \$136,800 (\$200,000 -- \$63,200).

---

### QUESTION 10

If  $P$  is the value of a put option,  $C$  is the value of a call option,  $V$  is the value of the stock, and  $PVE$  is the present value of the exercise price, what is the formula for the put-call parity theorem for European options?

A.  $V + PVE = C + P$

B.  $V + C - P = PVE$

C.  $V + PVE = C + P$

D.  $PVE = V + C - P$

Correct Answer: B

For European options, given market equilibrium for all relevant prices (no arbitrage possibilities), equal exercise prices for the put and the call, and the same expiration date, the put-call parity theorem states that a fixed relationship applies to the market values of the put and call options on a security. For example, a strategy of selling one call option, buying

one share of the stock, and bang one put option should result in a ask-free return. The gain (loss) from the stock and the put should equal the gain (loss) on the call. If  $V_s$  is the value of the stock.  $V_p$  is the value of the put,  $V_c$  is the value of the call, and PVE is the present value of the exercise price (the time interval is the time to expiration), the formula for put-call parity may be stated as follows  $V_s + V_p - V_c = PVE$

**QUESTION 11**

Which strategy in a global industry is most likely to be facilitated by a transnational coalition?

- A. A protected niche strategy.
- B. A national focus strategy.
- C. A national segment strategy.
- D. Broad line global competition.

Correct Answer:

Broad line global competition is competition over the full product line of the firm based on differentiation or low cost. The firm needs large resources for this long-term strategy. Governmental relations should emphasize impediment reduction. Transnational coalitions may be created to help the firms overcome impediments to executing the broader strategies, for example, market access or technology barriers.

**QUESTION 12**

Kator Co. is a manufacturer of industrial components. One of their products that is used as a subcomponent in auto manufacturing is KB-96. This product has the following financial structure per unit.

Selling price	<u>\$150</u>
Direct materials	\$ 20
Direct labor	15
Variable manufacturing overhead	12
Fixed manufacturing overhead	30
Shipping and handling	3
Fixed selling and administrative	<u>10</u>
Total costs	<u>\$ 90</u>

During the next year, KB-96 sales are expected to be 10000 units. All of the costs will remain the same except that fixed manufacturing overhead will increase by 20% and direct materials will increase by 10%. The selling price per unit for next year will be

- A. \$620.000

- B. \$750,000
- C. \$1,080,000
- D. \$1,110,000

Correct Answer: C

---

### QUESTION 13

Harrison's Spot scars is able to borrow at an annual rate of 7% for two years, using its automobile loans as collateral. The loans are made from Nanto Acceptance Company, a wholly owned subsidiary. It estimates that its overhaul return from car loans is 11%, once the return on the loans (6.9%) and economies realized from manifesting costs are factored into the analysis. If the average automobile loan is three years in length, what forward interest rate is implied by this homemade forward contract?

- A. 3.84%
- B. 7.82%
- C. 19.45%
- D. 23.21%

Correct Answer: C

---

### QUESTION 14

Delphi Company's management has stipulated that it will not approve the continued manufacture of the new product after the next fiscal year unless the after-tax profit is at least \$75,000 the first year. The unit selling price to achieve this target profit must be at least

- A. \$37.00
- B. \$36.60
- C. \$34.60
- D. \$39.00

Correct Answer: D

---

### QUESTION 15

A firm's financial risk is a function of how it manages and maintains its debt. Which one of the following sets of ratios

characterizes the firm with the greatest amount of financial risk?

- A. High debt-to-equity ratio, high interest-coverage ratio, volatile return on equity.
- B. High debt-to-equity ratio, high interest-coverage ratio, stable return on equity.
- C. Low debt-to-equity ratio, low interest-coverage ratio, volatile return on equity.
- D. High debt-to-equity ratio, low interest-coverage ratio, volatile return on equity.

Correct Answer: D

A firm with high risk will have a higher debt-to-equity ratio than a low-risk firm, a lower interest coverage, and a volatile return on equity. A higher debt-to-equity ratio poses a greater risk of insolvency. Debt holders must be paid regardless of whether the firm is profitable. Low interest coverage means that the margin of safety of earnings before interest and taxes is small. A volatile return on equity signifies that earnings are unpredictable. Lack of predictability increases risk.

[IMANET-CMA PDF Dumps](#)

[IMANET-CMA VCE Dumps](#)

[IMANET-CMA Practice Test](#)