



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

Certified Management Accountant (CMA)

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### QUESTION 1

A company allocates its variable factory overhead based on direct labor hours. During the past 3 months<sup>1</sup> the actual direct labor hours and the total factory overhead allocated were as follows:

	January	February	March
Direct labor hours	1,000	3,000	5,000
Total factory overhead allocated	\$80,000	\$140,000	\$200,000

Based upon this information, monthly fixed factory overhead was

- A. \$50,000
- B. \$46,667
- C. \$33,333
- D. \$30,000

Correct Answer: A

### QUESTION 2

Customer satisfaction is related to the degree of customer loyalty. High customer loyalty

- A. Requires a high degree of satisfaction of other stakeholders.
- B. Results when quality, service, and price increase.
- C. Depends on the effectiveness of the firm's core business processes.
- D. Is directly proportional to customer expectations.

Correct Answer: C

High customer loyalty is an emotional as well as rational bond that develops when a firm provides high customer value. To obtain such loyalty, the firm needs to develop a value proposition that has superior competitiveness in the target market segment. Crucially, it must be supported by an effective value delivery system, the accumulation of all the experiences the customer has with the offering. Thus, brand value must be supported by core business processes that actually deliver the promised customer value.

### QUESTION 3

Policies and procedure provide guidance to management and employees. Would policies and procedures normally be found for the senior management of a multinational organization?



- A. Yes, all policies and procedures are developed by senior management.
- B. No, senior management develops policies and procedures for lower levels only.
- C. Yes, policies and procedures are used throughout on organization's ranks.
- D. No, only middle managers and below develop and use policies and procedures.

Correct Answer: C

Research has shown that policies and procedures are referred to by all levels of management on an as-needed basis.

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#### QUESTION 4

A company is concerned that spare parts inventories are too large. It has attempted to keep critical parts for its fleet in stock so that equipment will have minimal downtime. Management wants to know what the optimal spare parts inventory should be if downtime is estimated to cost \$150 per day. Carrying cost and order cost have not been measured. You have been asked to make a formal recommendation on spare parts stocking levels. Which of the following techniques is most appropriate to use?

- A. Operations research.
- B. Value analysis.
- C. Attribute listing.
- D. Brainstorming.

Correct Answer: A

Operations research attempts to find optimal solutions using classical concepts such as statistics, simulation, logical thinking, and other scientific and mathematical techniques to develop and test hypotheses. This application closely fits the problem and charge given.

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#### QUESTION 5

Kore Industries is analyzing a capital investment proposal for new equipment to produce a product over the next 8 years. The analyst is attempting to determine the appropriate "end-of-life cash flows for the analysis. At the end of 8 years, the equipment must be removed from the plant and will have a net book value of zero, a tax basis of \$75,000, a cost to remove of \$40,000, and scrap salvage value of \$10,000. Kore's effective tax rate is 40%. Valiant is the appropriate end-of-life cash flow related to these items that should be used in the analysis?

- A. \$45,000
- B. \$27,000
- C. \$12,000
- D. \$(18,000)

Correct Answer: C

The tax basis of \$75,000 and the \$40,000 cost to remove can be written off. However, the



-\$10,000 scrap value is a cash inflow. Thus, the taxable loss is \$105,000 (\$75,000 loss on disposal + \$40,000 expense to remove --\$10,000 of inflows). At a 40% tax rate, the \$ 105,000 loss will produce a tax savings (inflow) of \$42,000. The final cash flows will consist of an outflow of \$40,000 (cost to remove) and inflows of \$10,000 (scrap) and \$42,000 (tax savings), or a net inflow of \$12,000.

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