IMANET-CMA Q&As

Certified Management Accountant (CMA)

Pass IMANET IMANET-CMA Exam with 100% Guarantee

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

https://www.geekcert.com/imanet-cma.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by IMANET Official Exam Center

QUESTION 1

A company has two divisions, A and B, each operated as a profit center. A charges B $35 per unit for each unit transferred to B. Other data follow:

A's variable cost per unit	$ 30
A's fixed costs	10,000
A's annual sales to B	5,000 units
A's sales to outsiders	50,000 units

A is planning to raise its transfer price to $50 per unit Division B can purchase units at $40 each from outsiders, but doing so would idle A\\'s facilities now committed to producing units for B. Division A cannot increase its sales to outsiders. From the perspective of the company as a whole, from whom should Division B acquire the units, assuming B\\'s market is unaffected?

A. Outside vendors

B. Division A, but only at the variable cost per unit

C. Division A, but only until fixed costs are covered, then from outside vendors,

D. Division A, despite the increased transfer price.

Correct Answer: D

Opportunity costs are $0 because A\\'s facilities would be idle if B did not purchase from A. Assuming fixed costs are not affected by the decision, the intracompany sale is preferable from the company\\'s perspective because A\\'s $30 variable unit cost is less than the outside vendors price of $40.

QUESTION 2

Condensed monthly operating income data for Korbin, Inc. for May follows

	Urban Store	Suburban Store	Total
Sales	$80,000	$120,000	$200,000
Variable costs	32,000	84,000	116,000
Contribution margin	$48,000	$ 36,000	$ 84,000
Direct fixed costs	20,000	40,000	60,000
Store segment margin	$28,000	$ (4,000)	$ 24,000
Common fixed cost	4,000	6,000	10,000
Operating income	$24,000	$ (10,000)	$ 14,000

Additional information regarding Korbin\\'s operations follows:

One-fourth of each store\\'s direct fixed costs would continue if either store is closed.

Korbin allocates common fixed costs to each store on the basis of sales dollars.

Management estimates that closing the Suburban Store would result in a 10% decrease in the Urban

Store\\'s sales, while closing the Urban Store would not affect the Suburban Store\\'s sales.

The operating results for May are representative of all months. A decision by Korbin to close the Suburban

Store would result in a monthly increase (decrease) in Korbin\\'s operating income of

A. $(10,800)

B. $(6,000)

C. $(1,200)

D. $4,000

Correct Answer: A

If the Suburban Store is closed, one-forth of its direct fixed costs will continue. Thus, the segment margin that should be used to calculate the effect of its closing on Korbin\\'s operating income is $6,000 {$36,000 contribution margin-[$40,000 direct fixed costs x(1.0-.25)]}. In addition, the sales (and contribution margin) of the Urban Store will decline by 10% if the Suburban store closes. A 10% reduction in Urban\\'s $48,000 contribution margin will reduce income by $4,800. Accordingly, the effect of closing the Suburban Store is to decrease operating income by $10,800 ($6,000 + $4,800).

QUESTION 3

An analyst covering Guilderland Mining Co. common stock estimates the following information for next

years.

Expected return on the market portfolio 12%

Expected return on the Treasury securities 5% Expected beta of Guilderland 2.2

Using the CAPM, the analyst\\'s estimate of next year\\'s risk premium for Guilderland\\'s stock is closest to

A. 7.0%

B. 10.4%

C. 15.4%

D. 21.4%

Correct Answer: C

QUESTION 4

What is a challenge that the long-term aspect of capital budgeting presents to the management accountant?

A. Activity can be tracked for a single accounting period.

B. Capital projects affect multiple accounting periods.

C. The flexibility of the capital budgeting decision.

D. Freedom of the organization\\'s financial planning.

Correct Answer: B

Capital budgeting is the process of planning and controlling investments for long-term projects. It is this long-term aspect of capital budgeting that presents the management accountant with specific challenges. Most financial and management accounting topics concern tracking and reporting activity for a single accounting or reporting cycle, such as one month or one year. By their nature, capital projects affect multiple accounting periods and will constrain the organization\\'s financial planning well into the future. Once made, capital budgeting decisions tend to be relatively inflexible.

QUESTION 5

When a multiproduct plant operates at full capacity, quite often decisions must be made as to which products to emphasize. These decisions are frequently made with a short-run focus. In making such decisions, managers should select products with the highest

A. Sales price per unit.

B. Individual unit contribution margin.

C. Sales volume potential.

D. Contribution margin per unit of the constraining resource.

Correct Answer: D

In the short run, many costs are fixed. Hence, contribution margin (revenues -- all variable costs) becomes the best measure of profitability. Moreover, certain resources are also fixed. Accordingly, when deciding which products to produce at full capacity, the criterion should be the contribution margin per unit of the most constrained resource. This approach maximizes total contribution margin.