

# Certified Management Accountant - Financial Planning, Performance and Analytics

1. Return on investment (ROI) is a performance measure that requires managers to respond to several factors that are under their influence or control. Decisions intended to influence ROI are often from a short-term perspective and may conflict with the long-term objectives of the organization. This lack of goal congruence can be minimized by

A. providing the manager with limitations on what can be used to influence the factors involved in computing the ROI.

B. using the two components of ROI (investment turnover and return on sales) instead of only ROI.

C. allowing different minimum returns for different investments.

D. requiring multiple-year measures of ROI and evaluating these results along with the residual incomes from the same periods.

**Answer(s): D**

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2. A company has two service departments Security and Human Resources and two operating departments Assembly and Finishing. Cost data for these departments are shown below

	<u>Security</u>	<u>Human Resources</u>	<u>Assembly</u>	<u>Finishing</u>
Costs	\$40,000	\$75,000	\$275,000	\$315,000
Number of employees	50	25	175	325
Number of HR hours used	100	75	180	270

To determine the full costs of conducting business in the operating departments the company allocates service department costs to the operating departments. Security costs are allocated based on the number of employees and Human Resources costs are allocated based on the number of Human Resources hours used using the step-down method, what amount of Security costs would be allocated to the Assembly department?

A. \$12,727.

B. \$13,333.

C. \$18,773.

D. \$20,000.

**Answer(s): C**

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3. Aeronautics Inc. has designed a new airplane that entails an extremely complex manufacturing process. Upon reviewing the market, Aeronautics' management believes the price of the plane will need to be set below current manufacturing costs. Some on the management team have recommended stopping the project, however, the CFO believes that the plane will become profitable in the near future. The CFO most likely used which forecasting method?

A. Time series.

B. Learning curve analysis

C. Exponential smoothing

D. Cost-volume-profit analysis

**Answer(s): A**

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4. MJC Co. is considering adopting a variable costing system using variable costing rather than absorption costing. Which of the following is more advantageous to MJC because the variable costing system

A. more readily provides data needed for cost/volume/profit analyses done by management

B. focuses on gross profit as the best indicator of a company's ability to cover its expenses

C. assigns all costs of manufacturing to products in order to properly match cost of production with revenues

D. allows the financial statements released to internal users to agree with the GAAP financial statements issued for external use

**Answer(s): A**

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5. A company reported that its shareholders' equity decreased in the recent year. This could occur if:

A. dividends paid were less than net income.

B. dividends paid were greater than net income

C. new common stock was sold for greater than par value

D. new common stock was sold for less than par value

**Answer(s): B**

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6. A company has prepared the following pro forma income statements. It plans to sell 10,000 units in the current year and 11,500 units next year.

	<u>Current Year</u>	<u>Next Year</u>
Total sales	\$ 990,000	\$1,115,730
Cost of goods sold	<u>350,000</u>	<u>391,000</u>
Gross profit	640,000	724,730
Operating expenses	<u>125,000</u>	<u>136,500</u>
Net operating profit	<u>\$ 515,000</u>	<u>\$ 588,230</u>

A. Increase sales revenue by 15%.

B. Reduce cost of goods sold by \$1.00 per unit

C. Increase gross profit margin by 15%

D. Reduce operating expenses by \$1.00 per unit

**Answer(s): B**

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7. After a recent earthquake in a nearby city the board of directors of a company has requested a review of the company's disaster recovery plan. Which of the following would be classified as a weakness in the company's disaster recovery plan?

A. Management has decided not to maintain a hot site because it was determined that the costs outweigh the benefits.

B. The details of the disaster recovery plan stipulate that internal audit should review the plan every other year rather than annually.

C. A cold site with backup data and documents is maintained on the basement level of the company's headquarters.

D. Members of the company's disaster recovery team maintain current copies of the disaster recovery plan in their homes.

**Answer(s): C**

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8. A manufacturing company is setting a standard number of labor hours for a product. Management creates a draft standard and asks for employees' feedback.

Which one of the following statements best represents the type of standard that is being set?

A. A participative standard because it includes management's input to determine the standard.

B. An authoritative standard because the employees helped to determine the standard.

C. A participative standard because the employees will more likely view the standard as reasonable.

D. An authoritative standard because management still will ensure the standard fits the strategy.

**Answer(s): C**

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9. The master budget for a company contains the following production requirements.

Quarter 1-- 50,000 units

Quarter 2 -- 55,000 units

Quarter 3 -- 45,000 units

Quarter 4 -- 52,000 units

Each unit of product requires four pounds of direct material. The company has a policy to begin each quarter with an inventory of direct materials equal to 20% of that quarter's direct material requirements.

The budgeted direct material purchases for the third quarter would be

A. 36,000 pounds

B. 41,400 pounds

C. 49, 400 pounds

D. 185, 600 pounds

**Answer(s): D**

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**10.** The manager in charge of the disaster recovery plan for a company has ensured that there is off-site storage of key data programs, operating systems and documentation.

Which one of the following is the best next step to be prepared for a disaster?

A. She should enter into reciprocal agreements with alternative "hot" sites.

B. She should make sure that everyone knows the location of offsite data storage.

C. She should create a planning document including a list of critical applications.

D. She should ensure that the "cold" sites are fully equipped and ready.

**Answer(s): B**

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**11.** The following information pertains to Wang Corporation which uses standard costing for its materials.

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Standard for material per unit	2 pounds at \$3 per pound
Actual information for last month	Purchased 25,000 pounds for \$70,000
	Used 20,000 pounds to produce 9,000 units

What is the amount of the unfavorable material-related variance that would appear on a report to the production foreman?

A. \$4,000

B. \$5,000

C. \$5,600

D. \$6,000

**Answer(s): D**

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**12.** A corporation had foreign currency translation gains from converting the financial statements of its foreign operations into U.S dollars .How will these gains be reported on the corporation's financial statements?

A. As a current asset on the balance sheet

B. As a net increase in cash in the operating activities section of the statement of cash flows

C. As part of net income on the income statement

D. As part of comprehensive income on the income statement

**Answer(s): D**

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**13.** Marsalis Products Inc. manufactures and sells batteries and cables for computers. The latest information on the products and their costs is shown in the following table.

	<u>Batteries</u>	<u>Cables</u>
Annual unit sales	140,000	180,000
Selling price per unit	\$30	\$40
Variable manufacturing cost per unit	19	24
Fixed manufacturing cost per unit (Note 1)	3	6
Variable selling cost	4	5

Note: 1 Fixed manufacturing cost of \$1,500,000 per year is allocated to products based on the number of machine hours required to produce the product at a rate of \$3 per machine hour.

Based on the information above, what is the annual amount of earnings before interest and taxes (EBIT)?

A. \$1,460,000.

B. \$2,920,000.

C. \$2,960,000.

D. \$4,420,000.

**Answer(s): A**

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**14.** A company had 100,000 shares of common stock issued and outstanding at January 1. During the year, the company took the following actions:

April 15 Declared a 2-for-1 stock split when the fair value of the stock was \$1.50 per share.  
December 15 Declared a \$0.50 per share cash dividend.

A. \$50,000

B. \$75,000.

C. \$100,000.

D. \$150,000

**Answer(s): C**

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**15.** when considering data visualization elements, the incorporation of color, shape, size, or animation can be used to address

A. multiple variables

B. complexity

C. data distortion

D. data myopia

**Answer(s): A**

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**16.** A company has the following accounts included in its trial balance as of December 31

Preferred stock	\$200,000
Common stock	285,000
Bonds payable	34,000
Obligations under finance leases	65,000
Additional paid-in capital	50,000
Non-controlling interests	13,500
Retained earnings	78,000
Treasury stock	56,000
Accumulated other comprehensive income	22,000

What amount of equity will be reported on the company's balance sheet as of December 31?

A. \$626,500

B. \$657,500

C. \$92,500.

D. \$599,000.

**Answer(s): C**

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**17.** All of the following are limitations of teaming curve analysis except that

A. the learning rate tends to be affected by seasonality in sales

B. the estimated learning rate might be unreliable because other factors could have caused the change

C. the learning rate is assumed to be constant

D. it is appropriate only for labor-intensive repetitive tasks

**Answer(s): A**

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**18.** A company announced a stock dividend under which 1,000,000 shares will be issued to the holders of the 10,000,000 shares that are currently outstanding. The stock which has a par value of \$1 per share, traded at \$10 on the dividend declaration date. How will shareholders' equity be affected by this stock dividend?

A. Retained earnings will decrease by \$1,000,000

B. Retained earnings will decrease by \$9,000,000

C. Paid-in capital will increase by \$9,000,000

D. Common stock will increase by \$10,000,000

**Answer(s): C**

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**19.** Harris Company sells two products with the following characteristics.

	<u>Product 1</u>	<u>Product 2</u>
Budgeted contribution margin/unit	\$5.00	\$8.00
Budgeted sales units	100,000	300,000
Actual sales units	250,000	250,000

Harris Company's total sales-mix variance for the year is



A. \$300,000 Unfavorable

B. \$350,000 unfavorable

C. \$375,000 Unfavorable

D. \$725,000 Favorable

**Answer(s): C**

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20. Anatolian Textile Company produces blue-jean pants for a globally known blue-jean brand and its annual financial results are shown below.

	<u>Actual Results</u>	<u>Flexible Budget</u>	<u>Master Budget(Static)</u>
Units	4,200	4,200	4,500
Sales	€220,500	€210,000	€225,000
Variable Expenses	146,000	147,000	157,500
Contribution Margin	74,000	63,000	67,500
Fixed Expenses	22,000	21,000	21,000
Operating Income	52,000	42,000	46,500

Based on the table the sales-price variance for the company is

A. 4,500 unfavorable

B. 4,500 favorable

C. 10,500 favorable

D. 10,500 unfavorable

**Answer(s): C**

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