CMA Q&As

Certified Management Accountant

Pass IMANET CMA Exam with 100% Guarantee

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

https://www.pass2lead.com/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

An advantage of the net present value method over the internal rate of return model in discounted cash flow analysis is that the net present value method

A. Computes a desired rate of return for capital projects.

B. Can be used when there is no constant rate of return required for each year of the project.

C. Uses a discount rate that equates the discounted cash inflows with the outflows.

D. Uses discounted cash flows whereas the internal rate of return model does not.

Correct Answer: B

The NPV method calculates the present values of estimated future net cash inflows and compares the total with the net cost of the investment. The cost of capital must be specified. If the NPV is positive, the project should be accepted. The IRR method computes the interest rate at which the NPV is zero. The IRR method is relatively easy to use when cash inflows are the same from one year to the next. However, when cash inflows differ from year to year, the IRR can be found only through the use of trial and error. In such cases, the NPV method is usually easier to apply. Also, the NPV method can be used when the rate of return required for each year varies. For example, a company might want to achieve a higher rate of return in later years when risk might be greater. Only the NPV method can incorporate varyinq levels of rates of return.

QUESTION 2

Conversion costs do not include

A. Depreciation.

B. Direct materials.

C. Indirect labor.

D. Indirect materials.

Correct Answer: B

Conversion costs are necessary to convert raw materials into finished products. They include all manufacturing costs, for example, direct labor and factory overhead, other than direct materials.

QUESTION 3

Which of the following will result in raising the breakeven point?

A. A decrease in the variable cost per unit.

B. An increase in the semivariable cost per unit.

C. An increase in the contribution margin per unit.

D. A decrease in income tax rates.

Correct Answer: B

The BEP equals fixed cost divided by the UCM (selling price -- unit variable cost). An increase in semivariable costs increases fixed costs and/or variable costs. An increase in either will raise the BEP. If fixed costs increase, more units must be sold, assuming the same UCM, to cover the greater fixed costs. If variable costs increase, the UCM will decrease and again more units must be sold to cover the fixed costs.

QUESTION 4

Without prejudice to your answers from any other questions, assume that the after-tax cost of debt financing is 10%, the cost of retained earnings is 14%, and the cost of new common stock is 16%. If capital expansion needs to be $7 million for the coming year, what is the after-tax weighted-average cost of capital to FLF Corporation?

A. 11 14%

B. 1274%

C. 13.6%

D. 16%

Correct Answer: B

To maintain a capital structure of 40% debt and 60% equity, the $7 million total must consist of $2.8 million

of debt and $4.2 million of equity. The equity will consist of $3 million of retained earnings and $1.2 million

of new stock. The weighted-average cost of the three sources of new capital is determined as follows:

$3,000000 + $7000,000 x 14% = 6.00%

$1,200,000 $7,000,000 x 16% = 214%

$2,800,000 + $7,000,000 x 10% = 4.00%

12.74%

The FLF Corporation is preparing to evaluate capital expenditure proposals for the coming year. Because

the firm employs discounted cash flow methods, the cost of capital for the firm must be estimated. The

following information for FLF Corporation is provided:

QUESTION 5

Drillers Inc. is evaluating a project to produce a high-tech deep-sea oil exploration device. The investment required is $80 million for a plant with a capacity of 15.000 units a year for 5 years. The device will be sold for a price of $12,000 per unit. Sales are expected to be 12,000 units per year. The variable cost is $7,000 and fixed costs, excluding depreciation, are $25 million per year. Assume Drillers employs straight-line depreciation on all depreciable assets, and assume that they are taxed at a rate of 36%. If the required rate of return is 12%, what is the approximate NPV of the project?

A. $17,225,000

B. $21511,000

C. $26.780000

D. $56117000

Correct Answer: B

Item	Year 0	Years 1 to 5
Investment	$(80,000,000)	
Revenue		$144,000,000
Variable cost		84,000,000
Fixed cost		25,000,000
Depreciation		16,000,000
Pre-tax profit		19,000,000
Tax @ 36%		6,840,000
Net profit		12,160,000
Net cash flow		28,160,000
Present value @ 12% (28,160,000 × 3.605)		101,516,800