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CMA Part 2: Strategic Financial Management Exam

IMA CMA-Strategic-Financial-Management

Version Demo

Total Demo Questions: 10

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Topic Break Down

Topic	No. of Questions
Topic 1, Section 1	98
Topic 2, Section 2	25
Total	123

QUESTION NO: 1 - (SIMULATION)

Determine whether the €300 fee is a facilitating payment

Essay

Online Learning Inc. (OLI) is a privately-held company based in the IUC that specializes in providing online courses in English as a Second Language (ESL). OLI is trying to set up a new sales office in a foreign country. It needs a business license to operate in that country. The license normally takes six months to obtain. An official of that country said that he could expedite the process for a fee of €300.

OLI estimates the new sales office can bring €300,000 incremental profit annually. OLI has just launched a new online 40-hour course to help adult ESL learners master basic business English. The price of the new course is €500 per student, the variable cost is €300 per student, and the total fixed cost of the new course is €300,000 per year. OLI spent €200,000 to develop the new course before launching it. There are many online course providers in the marketplace, and each has its own features. However, OLI's highly qualified staff and good reputation have enabled it to charge a premium price compared to its major competitors. Recent market research indicates that if OLI raises the price of its new business English course by 10%, the student enrollment would decrease by 5%. A regional airlines company in Asia has approached OLI and offered to enroll 1,000 of its employees in the new course if OLI would agree to a special price of €350 per employee. If OLI accepts this offer, an additional €10,000 one-time cost would be required to temporarily expand its capacity to accommodate the new students.

ANSWER: See the explanation for the answer.

Explanation:

The 300 is a facilitating payment as it will speed up the process of getting the license 'cine company which normally requires 6 months

QUESTION NO: 2

The Transformer Division of Keller Electrical Supply is developing its Budget for next year. Preliminary estimates for the next year are as follows.

- Sales of 10,000 units
- Variable cost of \$350 per unit
- Fixed costs of \$800,000
- Net assets utilized on the Transformer Division are \$7 million
- Target rate of return on investment required by Keller is 15%

If the Transformer Division utilizes cost-based pricing and uses a markup based on its target rate of return, what price per unit (rounded to the nearest dollar) should it use for the budget?

- A. \$430
- B. \$495

C. \$506

D. \$535

ANSWER: D

QUESTION NO: 3 - (SIMULATION)

Calculate Guda's marginal cost of capital- Show your calculations.

Apex Manufacturing Inc. (AMI) is a Canada-based company that manufactures a manufactures and unique part for aircrafts. It has few competitors in the market. The company is exposed to exchange rate risk because about 90% of its products are exported to the U.S, and most of its sales contracts are in U.S. dollars. AMI has the capacity to manufacture 1,500 units of the part per year. For the year just ended. AMI manufactured and sold 1,000 units. The operating results are shown below.

Sales	\$2,000,000
Variable manufacturing costs	1,000,000
Fixed manufacturing costs	500,000
Operating income	500,000
Income taxes (40%)	200,000
Net income	\$ 300,000

Recently, A new customer made a one-area order of 500 units of the part at \$1.200 per unit. The CTO asked the controller to analyze this offer. AMI is considering adjusting its sales price next year in a recent meeting, the CFO suggested to use the market-based approach for pricing decisions, bat the controller insisted that the cost-based approach is more favorable to the company.

ANSWER: Seetheexplanationfortheanswer.

Explanation:

it the company will adjust the selling price mat is if it reduces the profit margin mil decrease as more of its costs are fixed rather man variable in nature hence in has greater sensitivity to increase in sales price

QUESTION NO: 4

Alliantz Company, a USA-based manufacturer needs to set up a hedge to protect against dollar exchange rate devaluation. The protection is necessary (or an open balance of \$2 478.450 Payment is to be settled in a rare currency 40 days from today excluding transaction fees which investment instrument would be used to provide the best hedge?

A. Stock options

B. Market-traded futures

C. Forward agreement

D. Currency warrant

ANSWER: C

QUESTION NO: 5

SSA inc. issues 4% bonds with a face value of \$500,000 when the market rate of interest is 3% for similar bonds. The bonds mature in 10 years, and pay interest every six months. Which one of the following is closest to the amount of cash SSA will receive upon issued.

- A. \$459,000
- B. \$500,000
- C. \$505,000
- D. \$543,000

ANSWER: D

QUESTION NO: 6

Which one of the following statements regarding working capital management is not correct?

- A. An attempt to minimize carrying costs and shortage costs associated with inventory levels is an objective of working capital management
- B. The cash, inventory accounts payable and accounts receivable components of working capital are constantly changing during the operating cycle
- C. Seasonal demand for me products can cause working capital problems that must De anticipated and managed
- D. Increasing costs associated with the manufacture and sale of products will not impact the short-term management of working capital

ANSWER: D

QUESTION NO: 7

A management accountant overheard the company's procurement manager discussing a kickback payment for one of the company s recent projects. The procurement manager promised to pay a share to the other person II the arrangement was kept confidential According to the IMA Statement of Ethical Professional Practice which one of the following is the most appropriate action for the management accountant to take?

- A. Take no action since the incident is not related to the accounting department
- B. Report the information directly to a nigh-level company executive since it is a serious matter
- C. Call the company's ethics helpline and report the matter anonymously
- D. Discuss the incident with his or her own attorney and consider disassociating from the company

ANSWER: B

QUESTION NO: 8

A company has hired a consultant to propose a way to increase the company's revenues. The consultant has evaluated two mutually exclusive projects with the following information provided for each project.

	Project A	Project B
Capital investment	\$1,105,000	\$625,000
Annual cash flows	180,000	105,000
Estimated useful life	10 years	10 years

The company uses a discount rate of 9% to evaluate both projects. Based on the net present value, the company should invest in

- A. project A only
- B. project B only
- C. project A and project B
- D. neither project

ANSWER: A**QUESTION NO: 9**

To minimize the risk of a two-stock portfolio, a company should most likely purchase stocks that have

- A. negatively correlated expected returns
- B. positively correlated expected returns
- C. equally correlated expected returns
- D. no correlated expected returns

ANSWER: A**QUESTION NO: 10**

Given the financial information shown below, what amounts would be shown for sales revenue and for gross profit, respectively in a common size income statement?

- A. 100% and 20%
- B. 100% and 45%
- C. 222% and 225%
- D. 100% and 55%

ANSWER: B