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# Question 1

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## Question Type: MultipleChoice

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The following statement(s) can correctly be made about a health plan's cash receipts and cash disbursements budgets:

- A) To predict both the timing and the amount of its cash receipts, a health plan constructs the cash receipts budget using data from its sales forecast and investment forecasts.
- B) A health plan uses a cash disbursements budget in order to establish the amount, but not the timing, of all of its cash disbursements.

### Options:

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- A- Both A and B
- B- A only
- C- B only
- D- Neither A nor B

### Answer:

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B

## Question 2

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### Question Type: MultipleChoice

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Companies typically produce three types of budgets: operational budgets, cash budgets, and capital budgets. The following statements are about operational budgets. Select the answer choice containing the correct statement.

#### Options:

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- A- Expense budgets, a type of operational budget, typically describe fixed expenses rather than variable expenses.
- B- Operational budgets can only show information by department or by line of business.
- C- Operational budgets begin with a forecast of sales revenue and investment income.
- D- Revenue budgets, a type of operational budget, indicate the amount of income from operations that a company received from the previous budget period

#### Answer:

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C

## Question 3

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**Question Type: MultipleChoice**

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In the following paragraph, a sentence contains two pairs of words enclosed in parentheses. Determine which word in each pair correctly completes the sentence. Then select the answer choice containing the two words that you have selected.

Budgeting approaches can be classified as static or flexible budgets, or as rolling or period budgets. A health plan most likely would use a (static / flexible) budget when a budget's objective is to reduce or limit expenses, and the health plan most likely would use a (rolling / period) budget if it would like to continually maintain projections for a certain time period into the future.

**Options:**

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- A- static / rolling
- B- static / period
- C- flexible / rolling
- D- flexible / period

**Answer:**

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A

**Question 4**

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**Question Type: MultipleChoice**

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One typical characteristic of zero-based budgeting (ZBB) is that this budgeting approach

**Options:**

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- A- Treats each activity as though it is a new project under consideration
- B- Applies only to income budgets
- C- Is the least time-consuming of all of the budgeting approaches
- D- Requires the input of top-level employees only

**Answer:**

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A

## Question 5

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**Question Type: MultipleChoice**

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The Landau health plan will switch from using top-down budgeting to using bottom-up budgeting. One potential advantage to Landau of making this switch is that, compared to top-down budgeting, bottom-up budgeting is more likely to

**Options:**

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- A- Require little time or labor to complete
- B- Enable Landau to incorporate key changes in regulatory requirements on a timely basis
- C- Reflect top management's intentions for Landau
- D- Reflect the realities of day-to-day operations

**Answer:**

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B

## Question 6

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**Question Type:** MultipleChoice

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The Titanium health plan's product has a unit price of \$120 PMPM and a unit variable cost of \$80 PMPM. Titanium has \$100,000 in fixed costs per month. This information indicates that, for its product, Titanium's

**Options:**

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- A- Unit contribution margin is \$80
- B- Unit contribution margin is \$200
- C- Break-even point is 500 members
- D- Break-even point is 2,500 members

**Answer:**

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D

## Question 7

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**Question Type:** MultipleChoice

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In order to analyze costs for internal management purposes, the Banner health plan uses functional cost analysis. One characteristic of this method of cost analysis is that it

**Options:**

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- A- Enables Banner's top management to analyze costs as they apply to workflow rather than to organizational structures
- B- Assumes that activities, not products, generate costs

**C-** Cannot be used when Banner makes pricing and staffing decisions

**D-** Identifies units of activity, calculates the costs of performing each unit of activity, and then assigns the cost of each unit of activity to Banner's products or lines of business

**Answer:**

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A

## Question 8

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**Question Type:** MultipleChoice

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The Sesame health plan uses a method of accumulating cost data that enables the health plan to satisfy financial reporting requirements for compiling financial statements and corporate tax returns. Although this method assists Sesame's managers in studying which types of costs are rising and falling over time, it does not explain which areas of Sesame incur each cost. This method, which is the most basic level of cost accumulation, is known as accumulating costs by

**Options:**

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**A-** Cost center

**B-** Type of cost



C- Lines of business

D- Function

**Answer:**

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B

## Question 9

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**Question Type: MultipleChoice**

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A cost for which a benefit is forfeited in choosing one decision alternative over another alternative is known as

**Options:**

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A- A marginal unit cost

B- An opportunity cost

C- An incremental cost

D- A differential cost

**Answer:**

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B

## Question 10

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**Question Type:** MultipleChoice

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Costs that can be defined by behavior are most commonly classified as fixed costs, variable costs, and semi-variable costs. From the following answer choices, select the response that correctly indicates a fixed cost and a variable cost for a health plan.

**Options:**

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**A-** Fixed Cost = depreciation on computer equipment

Variable Cost = selling expenses

**B-** Fixed Cost = premium processing expenses

Variable Cost = rent on a regional office

**C-** Fixed Cost = the cost for building maintenance

Variable Cost = the cost for electricity

**D-** Fixed Cost = the cost for electricity

Variable Cost = fire insurance on the home office facility

**Answer:**

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A

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