IMANET CMA Mock Exam

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Question 1

Question Type: MultipleChoice

If the average age of inventory is 60 days, the average age of the accounts payable is 30 days, and the average age of accounts receivable is 45 days, the number of days in the cash flow cycle is

Options:

A- 135 days.
B- 90 days.
C- 75 days.
D- 105 days.

Answer:

C

Explanation:

The cash flow cycle begins when the firm pays for merchandise it has purchased and ends when the firm receives cash from the sale of the merchandise. Inventory is held for an average of 60 days prior to sale, but the average age of accounts payable is 30 days. Consequently, the average time between outlay and sale is 30 days. Receivables are collected an average of 45 days after sale, so the length of the cash flow cycle is 75 days (30 + 45).

Question 2

Question Type: MultipleChoice

The level of safely stocking inventory manage mend depends on all of the following except the

Options:

A- Level of uncertainty of the sales forecast.
B- Level of customer dissatisfaction for back orders.
C- Cost of running out of inventory.
D- Cost to reorder stock.

Answer:

D

Explanation:

The level of safety stock is based on the delivery lead time and the variability of sales during the lead time. The cost of stock outs, usually in the form of opportunity costs, is also considered. Safety stocks are irrelevant to the economic order quantity. Thus, the cost to reorder, which is incorporated into the EQO model, does It not affect the level of safety stock.

Question 3

Question Type: MultipleChoice

A PERT network has only two activities on its critical path. These activities have standard deviations of 6 and 8, respectively. The standard deviation of the project completion time is

Options:

A- 7
B- 10
C- 14
D- 48

Answer:

B

Explanation:

The mean time forth critical path is simply the sum of the means of the activity times. However, the standard deviation equals the square root of the sum of the variances (squares of the standard deviations) of the times for activities on the critical path. The standard deviation of the project completion time (time for the critical path) is therefore the square root of 100 (62 + 82), or 10.

Question 4

Question Type: MultipleChoice

The capital budget is a(n)

Options:

A- Plan to ensure that sufficient funds are available for the operating needs of the company

B- Exercise that sets the long-range goals of the company including the consideration of external influences

C- Plan that coordinates and communicates a company's plan for the coming year to all departments and divisions

D- Plan that assesses the long-term needs of the company for pant and equipment purchases

Answer:

D

Explanation:

Capital budgeting is the process of planning expenditures for long-lived assets. It involves choosing among investment proposals using a ranking procedure. Evaluations are based on various measures involving rate of return on investment.

Question 5

Question Type: MultipleChoice

Members of a firm's sales force should

Options:

A- Be a prima source of intelligence regarding the marketing environment.

B- Not be expected to gather information regarding developments in the marketplace because their close contact with customers impairs their objectively.

C- Be used as a source of intelligence regarding the market environment only if no other source is available.

D- Be trained to communicate marketing intelligence to the firm's intermediaries.

Answer:
A

Explanation:
Philip Kilter (Marketing Management) defines marketing intelligence system as ''a set of procedures and sources used by managers to obtain everyday information about developments in the marketing environment.'' The members of the firm's sales force should be a primary source of intelligence because of their close contact with customers. Sales agents should be trained to gather relevant information and communicate into appropriate people in the firm.

Question 6

Question Type: MultipleChoice

Henderson, Inc. has purchased a new fleet of trucks to deliver its merchandise. The trucks have a useful life of 8 years and cost a total of $500,000. Henderson expects its net increase in after4ax cash flow to be $150,000 in Year 1, $175,000 in Year 2, $125,000 in Year 3, and $100,000 in each of the remaining years. What is the payback reciprocal for Henderson's fleet of trucks?

Options:
A- 29%
B- 25%
0. 24%
D- 20%

Answer:
A

Explanation:
The payback reciprocal for an investment is found by dividing 1 by the payback time. The pay back time for this investment is 3.Syears, and the pay back reciprocal is 1 divided by3.5, or29%.

Question 7

Question Type: MultipleChoice

If a firm purchases raw materials from its supplier on a 2/10, net 40, cash discount basis, the equivalent annual interest rate (using a 360-day year) of forgoing the cash discount and making payment on the 40th day is

Options:

A- 2%

B- 18.36%

C- 24.49%

D- 36.72%

Answer:

C

Explanation:

The buyer could satisfy the $100 obligation by paying $98 on the 10th day. By choosing to wait until the 40th day, the buyer is effectively paying a $2 interest charge for the use of $98 for 30 days (40-day credit period - 10-day discount period). The interest rate on what is essentially a 30-day loan is 2.04081% ($2 $98). Extrapolating this 30-day rate to a yearly rate involves multiplying by the number of periods in a year. Thus, the effective annual rate is about 24.49% [2.04081% x (360 30 days)].

Question 8

Question Type: MultipleChoice

Don Adams Breweries is considering an expansion project with an investment of $1 .500000. The equipment will be depreciated to zero salvage value on a straight-line basis over 5 years. The expansion will produce incremental operating revenue of $400,000 annually for 5 years. The company's opportunity cost of capital is 12%. Ignore taxes.What is the NPV of the investment?

Options:

A- $0
B- $(58,000)
C- $(116,000)
D- $1,442,000

Answer:

B

Explanation:

First, calculate the annual earnings and cash flows:

Operating revenues	$400,000
Less depreciation	300,000
Book income	100,000
Cash flow	400,000

The cash flows associated with the investment are then discounted accordingly: