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CMA Part 1: Financial Planning - Performance and Analytics Exam

IMA CMA-Financial-Planning-Performance-and-Analytics

Version Demo

Total Demo Questions: 10

Total Premium Questions: 112

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Topic Break Down

Topic	No. of Questions
Topic 1, SECTION: 1	99
Topic 2, SECTION: 2	13
Total	112

QUESTION NO: 1

Which one of the following statements best describes data governance?

- A. The union of data quality, data management, data policies, and risk management
- B. A process of securing all company data points, both structured and unstructured
- C. The convergence of accounting data, finance data and information technology
- D. Performance of data-based audits on a continuous basis

ANSWER: A**QUESTION NO: 2**

A fitness company produces workout video content and snares it online. The company has subscribers all over the world and its subscriber base has shown steady growth. Management has approached a popular workout apparel company to discuss potential sponsorship opportunities. The goal is to impress the potential sponsor by showing the growth in total subscribers over the last 12 months. All of the following would be appropriate options for visualizing this data except a

- A. bar graph
- B. line graph
- C. pie chart
- D. table

ANSWER: C**QUESTION NO: 3**

Company A currently uses U.S. GAAP while Company B is currently using IFRS. Both companies are individually in the process of internally developing trademarks that have been demonstrated to be technically and economically feasible. Both companies have incurred development costs in the current year with respect to their internally developed trademarks. Which one of the following best describes how Company A and Company B should account for these development costs in their financial statements?

- A. Company A should expense the development costs while Company B should capitalize the development costs
- B. Company A should capitalize the development costs while Company B should expense the development costs
- C. Both Company A and Company B should capitalize the development costs
- D. Both Company A and Company B should expense the development costs

ANSWER: D

QUESTION NO: 4 - (SIMULATION)

CORRECT TEXT

Identify the category of the Food-To-Go division in the BCG Growth-Share Matrix and discuss whether FDL should allocate more capital funding to the Food-To-Go division.

Essay

Food Depot Ltd (FDD) is a privately-held company that provides catering services to airlines and operates several restaurant chains including fast food, casual dining, and fine dining restaurants. FDL has been profitable in recent years and has a very strong cash position. FDL's newest division, Food-To-Go, is an online meal ordering and delivery platform acquired by FDL two years ago.

In 20X7, sales for the entire company were \$1 billion, with 50% of the business coming from the Airline Catering division. FDL is the country's leading airline catering services provider and controls 60% of the market share. However, the outlook of the airline catering industry is gloomy. The compound annual growth rate of the industry for the past five years was only 0.5% as airline networks have increasingly dropped catering on short domestic flights.

The Food-To-Go division only contributed 5% of FDL's total sales in 20X7 and is far behind in competing for market share of the online meal ordering and delivery industry. It is estimated that Food-To-Go's sales were only 20% of the industry leader's sales. However, the outlook for the online meal ordering and delivery services industry is bright. The compound annual growth rate of the industry since it started three years ago was 50%. It is estimated the rapid growth of the industry will continue in the foreseeable future.

The costs of shared corporate services are allocated based on each division's revenue. FDL usually caps its capital expenditure budget to 4% of budgeted sales revenue. In a recent capital budget coordination meeting, Smith Whitney, the head of the Airline Catering division, complained that his division is underfunded on capital projects. The budgeted capital expenditure had been much less than 4% of the division's budgeted sales in the past three years. He argued that his division is the company's best-performing division, and it needs more funds to maintain its market share in the industry. Whitney wants to reduce the capital expenditure budget for Food-To-Go and reallocate those funds to his division.

Susan Wiley, the head of Food-To-Go, does not agree that the Airline Catering division is the best-performing division in the company. Wiley argues that her division had the highest ROI in 20X7, and it deserves more capital funding. FDL's required rate of return is 12%. The selected financial data for the Airline Catering division and Food-To-Go division in 20X7 are as follows (in \$ millions).

	Airline Catering	Food-To-Go
Sales	\$ 500	\$50
Operating income	300	5
Net book value of assets (average for the year)	2,000	10

ANSWER:

Explanation:

See the Answer below in Explanation details.

The Food-To-Go division will be classed as question mark due to the fact that the market of this industry is growing and expected to grow, however the company share in the market is less as compared to the market leader. It requires funding so that the market opportunities can be exploited and hence the company can expand in this industry to secure its future.

QUESTION NO: 5

The price of gold is impacted by many variables. A gold-mining company analyst wants to estimate the probability that the price of gold will decline by greater than 10%. Which one of the following approaches is the best analytic tool to use?

- A. Time series analysis
- B. Goal-seeking analysis
- C. Monte Carlo simulation
- D. Regression analysis

ANSWER: C**QUESTION NO: 6**

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: B**QUESTION NO: 7**

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: D**QUESTION NO: 8**

A timber company is evaluating its products to determine whether to continue to further process scrap wood into wood chips, or to just sell the scrap wood to another company. Which of the following statements best describes what the company should consider regarding the potential by-product?

- A. The company should consider an of the manufacturing costs for Doth products beyond the split-off point.
- B. The company should consider all joint costs throughout the process before it decides if it should process further.
- C. The company should consider all of the separable costs throughout the process as it is incremental.
- D. The company should consider the incremental operating income beyond the split-off point In Its decision.

ANSWER: D**QUESTION NO: 9 - (SIMULATION)**

CORRECT TEXT

Discuss Whitney's arguments for allocating more capital funds to the Airline Catering division.

Essay

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Operating income	300	5
Net book value of assets (average for the year)	2,000	10

ANSWER:

Explanation:

See the Answer below in Explanation details.

Unless Whitney can't justify that the returns on the funds allocated to the division will create more returns as compared to if it's diverted to the food to go division, allocating the funds to the Whitney's division will not be justifiable and efficient use of resources of the company though the residual income or return on investment will be higher however, future prospects are full which needs to be factored.

QUESTION NO: 10

Which one of the following is not considered to be a Benefit of participative budgeting?

- A.** Managers are held responsible for reaching their goals and cannot shift responsibility by blaming the unrealistic goals demanded by the budget.
- B.** Budget estimates are prepared by those in direct contact with various activities
- C.** individuals at all organizational levels are recognized as being pan of the team resulting in greater support of the budget
- D.** When managers set the final targets for the budget, it reduces top management's concerns about the profitability of operations

ANSWER: D