

# Accountant

## IMA-CMA

### Certified Management Accountant

Questions And Answers PDF Format:

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# Latest Version: 6.0

## Question: 1

How does a budget containing inaccurate data impact an organization's future performance?

- A.The organization can forecast the effect of economic changes
- B.The organization is unable to obtain financing and capital needs
- C.The organization is unable to properly plan and set attainable goals
- D.The organization can make adjustments the following year

**Answer: C**

Explanation:

The organization is unable to properly plan and set attainable goals. Because budgets play a key role in planning business operations, communicating organizational goals, organizing jobs and processes, and maintaining control, inaccurate budget data can have far-reaching adverse effects throughout the organization. Budgets help determine where to deploy resources needs, when new financing or capital expenditures are needed, and how to effectively manage inventory. Organizations use budgets to estimate earnings and spending during a specified period of time. Future budgets are based on previous financial records and are adjusted to reflect business and economic changes. Inaccurate data can cause inaccurate planning.

## Question: 2

Which information is needed to develop an effective budget?

- A.Historical financial data, projected expenses, and anticipated revenues
- B.Historical financial data only
- C.Historical expenses and revenues
- D.Projected expenses and anticipated revenues

**Answer: A**

Explanation:

Historical financial data, projected expenses, and anticipated revenues. An effective budget starts with historical financial data at its base. It's important to have accurate historical data and sound projected data so that benchmark figures can be used to evaluate success or failure. Projected expenses and anticipated revenues are used to adjust historical data to create a realistic budget that will meet the goals and objectives of the organization. Because budgets outline the expected income and costs, they communicate expected operational results. Companies use this as a blueprint to then assign accountability for tasks and identify the means by which goals would be achieved.

### Question: 3

Which budgeting method does not use performance data from prior years as the basis for budget figures?

- A. Authoritative budgeting
- B. Zero-based budgeting
- C. Capital budgeting
- D. Participative budgeting

**Answer: B**

Explanation:

Zero-based budgeting. Zero-based budgeting disregards historical data and focuses only on data needed to produce future results. For each budget period, figures are determined based on the organization's goals. Zero-based budgeting has proven effective as a tool for reducing budgetary slack, when implemented periodically, such as one out of every three or four years of the budget cycle. It is not necessary to use zero-based budgeting every year to reduce the occurrence of budgetary slack.

### Question: 4

What type of information is used when performing a regression analysis?

- A. Production schedules
- B. Projected sales or revenues
- C. Return on investment
- D. Interest rates

**Answer: D**

Explanation:

Interest rates. Regression analysis is a statistical method that measures the relationship between a dependent variable and a series of changing, or independent, variables. It would be helpful in determining how changing variables, such as interest rates and taxes, would affect the price of a variable like a financial investment. By measuring the historical changes of the independent variables in relation to the dependent variable, the future value of the dependent variable can be predicted. It has also been useful in predicting trends.

### Question: 5

A learning curve...

- A. shows the efficiencies gained from experience
- B. uses historical data as a basis for forecasting

- C.uses statistical techniques for forecasting
- D.determines inefficiencies in the production process

**Answer: A**

Explanation:

Shows the efficiencies gained from experience. A learning curve is a graphical depiction of the efficiencies gained from experience. It shows the relationship between the number of units produced and the time spent per unit. Learning curve analysis is used to make pricing decisions, schedule labor and production resources, develop capital budgets, and set wage rates. The theory is that cost per unit of output will decrease as learning and experience are gained. An individual learning a task will gradually become more efficient and less hesitant, thereby making fewer mistakes, learning to automate, and adjusting performance.

### Question: 6

Which forecasting technique gives more weight to newer data and less weight to older data?

- A.Time series analysis
- B.Exponential smoothing
- C.Multiple regression analysis
- D.Payback technique

**Answer: B**

Explanation:

Exponential smoothing. Exponential smoothing uses a weighted moving average of historical data as the forecasting basis, giving more weight to recent data and less weight to older data. New data is given more weight because the future is more likely to resemble the recent past rather than the distant past. Exponential smoothing is used for short-term forecasting for financial market and economic data. To calculate exponential smoothing, a new forecast is the sum of the old forecast plus a percentage of the difference between the old forecast and the actual data for that same time period.

### Question: 7

Organizations use Kaizen budgeting to...

- A.allocate funds and resources to projects
- B.determine how the budget will attain the organization's goals
- C.continually improve the budgeting process
- D.allocate funds and resources based on activity or process

**Answer: C**

Explanation:

Continually improve the budgeting process. In Kaizen, each aspect of the budgeting process is evaluated to implement improvements to be incorporated into the next budgeting cycle. It favors small changes on a regular basis, rather than infrequent but sweeping changes. Kaizen is the Japanese term for "continuous improvement." Project budgeting allocates money and resources to individual projects such as the construction of facilities, acquisition of land, or purchase of equipment. Zero-based budgeting requires budgeted figures to be justified for each new budget period, and show how the budget will attain the goals of the organization. Activity-based budgeting, based on activities and business processes, forecasts labor and financial resources needed to achieve an organization's goals.

### Question: 8

A master budget's purpose is to...

- A. control the day to day operations of the organization
- B. determine the goals of the organization for a 10 year period
- C. allocate resources for capital expansion
- D. allow for changes in the budget based on performance

**Answer: A**

Explanation:

Control the day to day operations of the organization. The master budget is also known as the annual budget: It's the compilation of the budgets of each individual department, and consists of sales, production and cash budgets, and forecasted balance sheet. The annual budget outlines the organization's plans for its fiscal year and controls the day to day operations, setting priorities for accomplishing the long-term goals of the organization by allocating resources to each of the activities outlined in the organization's strategic plan.

### Question: 9

What is the major difference between a static budget and a flexible budget?

- A. The budget period used to forecast production results
- B. The types of revenues and costs associated with the projected production
- C. The ability to modify budget figures based on actual production
- D. The number of production levels that are used in the forecast

**Answer: D**

Explanation:

The number of production levels that are used in the forecast. Static budgets forecast one level of production results for a given budget period, and the associated costs. Flexible budgets project revenues and costs for several production levels. Static budgets often differ from actual results, since assumptions about input and output values are made prior to the start of the budget period and are not changed. A flexible budget is based on actual output, and when compared with the static budget, variances become apparent. Flexible budgeting allows for change during the budget period; management can see

variances between budget and actual results and take action to improve performance. Flexible budgets compare actual costs with projected costs for the actual production level in order to provide greater control over costs.

## Question: 10

Which of the following is NOT considered part of the production budget?

- A. Manufacturing costs
- B. Distribution costs
- C. Inventory levels
- D. Supervisor salaries

**Answer: B**

Explanation:

Distribution costs. Distribution costs are a part of the selling and administrative budget. The production budget is an estimate of the amount of product an organization will need to produce during the budget period. The production budget consists of overhead costs that are directly related to manufacturing, and includes forecasts for material, labor, manufacturing supplies, supervisor salaries, factory maintenance, equipment repair, and utilities. Management uses the sales budget and forecasted inventory levels to determine the production budget.

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