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38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Institute of Certified Management Accountants (ICMA)

CMA1Q

Part 1 CMA Exam- Case Based Questions

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Institute of Certified Management Accountants (ICMA) CMA1Q , each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, CMA1Q
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

MULTIPLE CHOICE

Which of the following are characteristics of a rolling budget? (Choose two.)

- ☐ A A budget that is revised only when actual results differ significantly from planned results
- ☒ B A budget that continuously adds a new period as the current period ends
- ☐ C A static budget prepared once per fiscal year
- ☒ D A budget that maintains a constant planning horizon, such as 12 months

ANSWER B - D

WHY A rolling budget (also called a continuous budget) adds a new budget period as each prior period ends, so the planning horizon stays constant (commonly 12 months). It is not static, and it is not revised only on a triggered variance basis.

QUESTION 2

MULTIPLE CHOICE

Which of the following costs would be classified as a variable cost? (Choose two.)

- ☒ A Direct materials used in production
- ☐ B Straight-line depreciation on factory equipment
- ☒ C Sales commissions based on a percentage of sales
- ☐ D Annual property insurance premium on the manufacturing facility

ANSWER A - C

WHY Direct materials and sales commissions tied to sales volume vary in total with activity levels, so they are variable costs. Straight-line depreciation and a fixed insurance premium are period costs that do not change with activity in the short term.

QUESTION 3 SINGLE CHOICE

A company uses process costing. At the end of the period, units that are partially complete are accounted for using which of the following?

- ☒ **A** Equivalent units of production
- ☐ B Job cost sheets
- ☐ C Normal spoilage allocation only
- ☐ D Direct labor hours worked

ANSWER A

WHY Process costing accumulates costs by department and converts partially completed units into equivalent units of production so that completed and partially completed output can be reported on a comparable basis.

QUESTION 4 SINGLE CHOICE

Which variance measures the difference between the actual price paid for materials and the standard price, multiplied by the actual quantity purchased?

- ☐ A Materials usage variance
- ☐ B Materials quantity variance
- ☒ **C** Materials price variance
- ☐ D Labor efficiency variance

ANSWER C

WHY The materials price variance isolates the effect of paying more or less than the standard price for materials, calculated as $(\text{Actual Price} - \text{Standard Price}) \times \text{Actual Quantity Purchased}$. The usage/quantity variance instead reflects the efficiency of how materials were used.

QUESTION 5 SINGLE CHOICE

An employee authorizes a purchase order, receives the goods, and also approves the vendor invoice for payment. Which internal control principle is being violated?

- ☐ A Establishing responsibility
- ☒ B Segregation of duties
- ☐ C Documentation procedures
- ☐ D Independent internal verification

ANSWER B

WHY Segregation of duties requires that authorization, custody, and recording functions be split among different individuals so that no single person controls all phases of a transaction. Combining purchasing authorization, receiving, and invoice approval concentrates too much control in one person.

QUESTION 6 SINGLE CHOICE

A company has a current ratio of 2.5 and a quick ratio of 0.9. Which of the following best explains the difference?

- ☐ A The company has a significant amount of prepaid expenses
- ☒ B The company has a significant amount of inventory
- ☐ C The company has high accounts payable balances
- ☐ D The company has minimal long-term debt

ANSWER B

WHY The quick ratio excludes inventory and prepaid expenses from current assets. A large gap between the current ratio (which includes inventory) and the quick ratio indicates that inventory makes up a substantial portion of current assets.

QUESTION 7 SINGLE CHOICE

A company is evaluating two mutually exclusive capital projects using the net present value (NPV) method. Which of the following statements is correct?

- ☐ A The project with the higher internal rate of return is always selected under NPV analysis
- ☐ B NPV and IRR will always rank mutually exclusive projects the same way regardless of scale
- ☒ C When NPV is used to rank mutually exclusive projects, the project with the higher NPV is preferred
- ☐ D NPV ignores the time value of money because it uses undiscounted cash flows

ANSWER C

WHY When projects are mutually exclusive and NPV is applied correctly (with the appropriate discount rate), the project with the higher positive NPV adds more value to the firm and is selected. IRR can give conflicting rankings due to scale differences or differing cash flow patterns, and NPV explicitly uses discounted cash flows.

QUESTION 8 SINGLE CHOICE

Which type of system best integrates data from multiple functional areas—such as finance, sales, and operations—into a single, organization-wide database to support enterprise-wide reporting?

- ☒ A Enterprise Resource Planning (ERP) system
- ☐ B Spreadsheet-based standalone workbook
- ☐ C Departmental legacy mainframe
- ☐ D Manual journal ledger

ANSWER A

WHY An Enterprise Resource Planning (ERP) system integrates core business functions into a single common database and standardized processes, enabling consistent, enterprise-wide reporting across functions such as finance, sales, procurement, and operations.

QUESTION 9

SINGLE CHOICE

A U.S. company expects to receive 500,000 euros in 90 days. To hedge against a possible decline in the euro's value, the company should consider which of the following actions?

- ☒ **A** Buying euro currency put options
- ☐ **B** Buying euro currency call options
- ☐ **C** Entering into a forward contract to buy euros in 90 days
- ☐ **D** Postponing the receivable to a later date

ANSWER A

WHY The company has a euro receivable, so it loses if the euro weakens. A put option on the euro gives the right to sell euros at a set strike price, protecting against a decline. A call option would hedge a payable (the right to buy euros). A forward to buy euros would also hedge a payable, not a receivable.