MOMETRIX
SMARTER PREP. BETTER RESULTS.

PRACTICE QUESTIONS

Institute of Certified Management Accountants (ICMA)

CMA2Q

Part 2 CMA Exam- Case Based Questions

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

WEB www.mometrix.net

SUPPORT support@mometrix.net

Before you begin

What this is

9 practice questions for Institute of Certified Management Accountants (ICMA) `CMA2Q`, 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, `CMA2Q`
- the question number
- the email address on your order

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

QUESTION 1 SINGLE CHOICE

A company's current ratio is 2.5 and its quick ratio is 1.4. Which of the following best explains the difference between these two ratios?

A The company has a significant amount of long-term debt that is maturing within the year.

B **The company holds a substantial amount of inventory and/or prepaid expenses that are excluded from the quick ratio.**

C The company has issued preferred stock that is convertible into common stock.

D The company has revalued its property, plant, and equipment upward during the period.

ANSWER **B**

WHY The current ratio includes all current assets, while the quick (acid-test) ratio excludes inventory and prepaid expenses. A current ratio of 2.5 with a quick ratio of 1.4 indicates that inventory and/or prepaid expenses make up a meaningful portion of current assets. The other options describe events that do not directly affect the gap between these two ratios.

QUESTION 2 SINGLE CHOICE

Which costing system would be most appropriate for a company that produces a continuous flow of homogeneous units such as chemicals or petroleum products?

A Job-order costing

B **Process costing**

C Operation costing

D Batch costing

ANSWER **B**

WHY Process costing is designed for industries that produce large volumes of homogeneous products in a continuous flow, accumulating costs by department or process rather than by individual job. Job-order costing is used when products are distinct and identifiable, and operation costing is a hybrid used when products share common initial processes but have different finishing operations.

QUESTION 3 SINGLE CHOICE

A company is preparing its cash budget for the upcoming quarter. Which of the following items would typically be included as a cash disbursement in the budget?

A Depreciation expense on factory equipment

B Accrued salaries payable from the prior month

C Payment of accounts payable for raw materials purchased on credit

D Bad debt expense recognized on uncollectible accounts receivable

ANSWER **C**

WHY A cash budget includes only actual cash inflows and outflows. Depreciation and bad debt expense are non-cash items, and accrued salaries from the prior month are not yet paid in cash. Payment for raw materials previously purchased on credit represents an actual cash outflow and would be included as a cash disbursement.

QUESTION 4 SINGLE CHOICE

Compared with a traditional plant-wide overhead rate, an activity-based costing (ABC) system is most likely to:

A Undercost low-volume, complex products and overcost high-volume, simple products.

B Overcost low-volume, complex products and undercost high-volume, simple products.

C Allocate equal overhead amounts to all products regardless of complexity.

D Eliminate the need for cost drivers in the overhead allocation process.

ANSWER **A**

WHY Traditional plant-wide rates tend to overcost high-volume products and undercost low-volume, complex products by spreading overhead uniformly. ABC assigns overhead based on the activities each product actually consumes, which typically results in more cost being assigned to low-volume, complex products and less to high-volume, simple products, correcting the distortion of the traditional approach.

QUESTION 5 SINGLE CHOICE

A division has operating income of $400,000 and average operating assets of $2,000,000. What is the division's return on investment (ROI)?

A 5%

B 15%

C **20%**

D 25%

ANSWER **C**

WHY ROI is calculated as operating income divided by average operating assets. $400,000 / $2,000,000 = 0.20, or 20%. The other values correspond to common miscalculations (e.g., dividing by total assets including non-operating items, or using the wrong numerator).

QUESTION 6 SINGLE CHOICE

According to the COSO Internal Control - Integrated Framework, which of the following is one of the five components of internal control?

A Strategic positioning

B **Control environment**

C Marketing mix optimization

D Capital structure analysis

ANSWER **B**

WHY The COSO framework identifies five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring activities. Strategic positioning, marketing mix, and capital structure relate to other management accounting topics but are not components of internal control under COSO.

QUESTION 7 SINGLE CHOICE

A company currently makes a component part at a total cost of $50 per unit ($35 variable, $15 fixed). A supplier offers to sell the part for $42 per unit. If the company has no alternative use for the facilities currently used to make the part, what is the relevant cost per unit to make the part internally?

- A $15
- B **$35**
- C $42
- D $50

ANSWER **B**

WHY Relevant costs are avoidable future costs. The $15 of fixed cost per unit represents allocated fixed overhead that will continue whether or not the part is made (since there is no alternative use for the facilities), so it is not avoidable and therefore not relevant. The relevant cost to make the part internally is the $35 variable cost per unit. The correct decision would then compare $35 to the $42 purchase price.

QUESTION 8 SINGLE CHOICE

Which type of data analytics technique is most appropriate for identifying unusual transactions or outliers in a large dataset of journal entries during a fraud risk assessment?

- A **Descriptive analytics**
- B Diagnostic analytics
- C Predictive analytics
- D Prescriptive analytics

ANSWER **A**

WHY Descriptive analytics summarizes historical data and is commonly used to identify anomalies, outliers, and unusual patterns through techniques such as Benford's Law analysis, statistical sampling, and visualization. Diagnostic analytics explains why something happened, predictive analytics forecasts future events, and prescriptive analytics recommends actions. Identifying outliers in a journal entry population is fundamentally a descriptive analytics task.

QUESTION 9 MULTIPLE CHOICE

Which of the following are common earnings quality indicators that a financial statement analyst would examine? (Choose two.)

- A **The proportion of operating income relative to total net income.**
- B The number of employees in the marketing department.
- C **The relationship between net income and operating cash flow.**
- D The number of physical retail store locations.

ANSWER **A · C**

WHY Earnings quality refers to the sustainability and reliability of reported earnings. Two common indicators are (1) the composition of net income — earnings driven by recurring operating activities are generally of higher quality than those driven by non-operating or one-time items, and (2) the relationship (or lack thereof) between accrual-based net income and operating cash flow, where large divergences can signal aggressive accounting. Headcount in marketing and store location counts are operational metrics unrelated to earnings quality.