

CMBA Exam Sample Questions

Financial Accounting

1. A company bought equipment with an estimated useful life of ten years, with no residual value. It paid \$1 million, and expected to earn a return of 20% from even annual cash flows over the life of the asset. Which method will show the least depreciation in Year 2?
 - a. Straight-line
 - b. Sum-of-the-years digits
 - c. Annuity
 - d. Double declining balance

2. Accrual accounting:
 - a. Measures income as revenues less matching expenses
 - b. Is synonymous with pro forma accounting
 - c. Effectively precludes prepaid expenses and deferred revenues
 - d. Is inconsistent with Generally Accepted Accounting Principles (GAAP)

Management Accounting

1. A company budgeted sales of 1 million units for \$10 each, unit variable costs of \$6 each, and fixed costs of \$3 million. It actually sold 1.2 million units at \$9 each. Using a flexible budget approach to profit variance analysis, what was the sales volume variance?
 - a. \$2 million
 - b. \$1.2 million
 - c. \$.8 million
 - d. \$.4 million

2. A company wants to incorporate residual income concepts throughout the organization. Which kind of responsibility center is most consistent with residual income?
 - a. Expense
 - b. Revenue
 - c. Profit
 - d. Investment

Organizational Behavior

1. A manager is concerned about the dollar amount of pay raises that are to be allocated across his/her employees in a fair and equitable manner. What type of organizational justice is the basis for the manager's concern?
 - a. Procedural
 - b. Distributive
 - c. Informational
 - d. Interactional

2. If you believe there is no relationship between how hard you work and how well you perform, which of the following motivational components is equal to zero?
 - a. Valence
 - b. Instrumentality
 - c. Expectancy
 - d. Outcome

Strategy

1. A business-level strategy is concerned with:
 - a. All of the businesses in which the company intends to compete
 - b. All policies and procedures used in various functional areas.
 - c. The firm's actions to exploit its competitive advantage in a strategic sense in the marketplace.
 - d. A unique combination of the firm's resources, strategic intent, and mission.

2. Successful alliances occur when:
 - a. There are different levels of risk for each partner.
 - b. There are complementary skills and/or organizational capabilities.
 - c. Strategic and competitive intents are similar for both partners.
 - d. Senior members are intimately involved in designing the alliance structure.

Finance

1. When is value created for a corporation?
 - a. When the internal rate of return is greater than the cost of capital.
 - b. When the NPV is set equal to zero
 - c. When the payback period is less than the benchmark.
 - d. When the average rate of return is greater than the cost of equity.

2. What is the dominant risk factor for investors who hold diversified portfolios of assets?
 - a. Fundamental beta
 - b. Coefficient of variation
 - c. Standard deviation
 - d. Correlation coefficient

Marketing Management

1. Which statement is true about methods for conducting consumer research?
 - a. Observation research provides insight into why consumers behave the way they do.
 - b. Focus groups provide statistically reliable data about consumer reactions to new products.
 - c. Experiments test the cause-and-effect relationship between a market action and a consumer response.
 - d. Published reports from the U.S. Census Bureau are a convenient source of primary data about consumers.

2. Your company manufactures and markets a brand sold to wholesalers for \$0.65. Total variable costs for the brand are \$0.12 per unit. Fixed manufacturing costs are \$1.5 million. Salaries paid to the brand management team total \$320,000. The brand's advertising budget is \$6 million. The total size of the market is 60 million units.

What market share does your company need to break even?

- a. 4.7%
- b. 5.7%
- c. 23.6%
- d. 24.6%

Operations Management

1. In assembly line design, the term “cycle time” refers to:
 - a. The amount of time an assembly spends at each work station
 - b. The length of time between breaks for the assembly line workers
 - c. The work content at each station as measured by a time-and-motion study
 - d. The amount of time it takes for a product to make it from the start of the line to completion

2. The Economic Order Quantity (EOQ) results from an analysis of the trade-off between
 - a. Ordering cost and holding cost
 - b. Transportation cost and storage cost
 - c. The amount demanded and the amount supplied
 - d. Quantity discounts and the time value of money

Macroeconomics

1. What is the federal funds rate?
 - a. The interest rate the U.S. treasury pays on short-term bonds
 - b. The interest rate borrowers pay banks for commercial loans
 - c. The interest rate banks pay each other for short-term loans
 - d. The interest rate banks pay the Federal Reserve for overnight loans

2. Which statement about the Consumer Price Index is true?
 - a. It equals the cost of living for the average household.
 - b. It overstates the cost of living for the average household.
 - c. It understates the cost of living for the average household.
 - d. It either understates or overstates the cost of living depending on the type of inflation

Microeconomics

1. A firm has an average cost curve described as $ac=f(q)$.
How does it find the minimum point on that curve?
 - a. Add fixed cost to the average cost, and minimize that function.
 - b. Find the quantity where the derivative of ac with respect to q is equal to zero.
 - c. Find the quantity where the derivative of ac with respect to q is at a minimum.
 - d. Minimize the difference between averaged fixed cost and average variable cost.

2. In a time of rising GDP, the most desirable product for a firm to be selling is one with a
 - a. High income elasticity and low price elasticity
 - b. Low income elasticity and low price elasticity
 - c. Low income elasticity and high price elasticity
 - d. High income elasticity and high price elasticity

Quantitative Analysis

1. For which situation is an exponential distribution most likely to be appropriate?
 - a. The time spent receiving service from a bank teller.
 - b. The average of repeated samples taken from a production process.
 - c. The number of calls received at a customer help desk in a one minute period.
 - d. A forecast of next year's sales using best guess, best case, and worst case estimates.
 - e. The number of bankruptcies among a group of eight at-risk firms where "at risk" means each firm has a 10% chance of going bankrupt.

2. Demand for a product is estimated to be normally distributed with a mean of 1,200 units per month and a standard deviation of 100 units per month.
What monthly inventory level would satisfy demand at approximately a 95% service level?
 - a. 900
 - b. 1050
 - c. 1200
 - d. 1350
 - e. 1600

Sample Questions Answers

Financial Accounting

1. ANSWER: c
2. ANSWER: a

Management Accounting

1. ANSWER: c
2. ANSWER: d

Organizational Behavior

1. ANSWER: b
2. ANSWER: c

Strategy

1. ANSWER: c
2. ANSWER: b

Finance

1. ANSWER: a
2. ANSWER: a

Marketing Management

1. ANSWER: c
2. ANSWER: d

Operations Management

1. ANSWER: a
2. ANSWER: a

Macroeconomics

1. ANSWER: c
2. ANSWER: b

Microeconomics

1. ANSWER: b
2. ANSWER: a

Quantitative Analysis

1. ANSWER: a
2. ANSWER: d