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QUESTION & ANSWER

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Exam : **CMA Strategic Financial
Management**

Title : CMA Part 2: Strategic
Financial Management
Exam

Version : DEMO

1. Javier makes hand-looted learner dog collars. The materials cost \$10 per collar and the collars are sold for \$50 each. Javier sells me collars at a local farmer's market mat charges S100 per month for space rental if Javier's income tax rate is 30%, how many collars must Javier sell each year to earn \$1,000 net income?

- A. 29
- B. 53
- C. 66
- D. 263

Answer: C

2. A foreign subsidiary of a U S company has an intercompany loan from the parent company. Which one of the following statements about the subsidiary's functional currency is true?

- A. It should be the U S dollar if the local currency is hyper inflated
- B. It should be determined by the management of the U.S. Company
- C. It is the US dollar because the parent company is in the US
- D. It is the U S dollar because the subsidiary has an intercompany loan from the parent company

Answer: A

3. A company had an operating cycle of 110 days, a cash cycle of 40 days, and an accounts receivable period of so days. The company s inventory period and accounts payable period are

- A. inventory period = 50 days ana accounts payable period - 150 flays
- B. inventory period = 70 flays and accounts payable period = 50 flays
- C. inventory period = 10 days and accounts payable period = 50 days
- D. inventory period = 50 days and accounts payable period = 70 days

Answer: D

4. Below is the income statement and balance sheet for a retail corporation.

	<u>Year 1</u>	<u>Year 2</u>
Sales	\$2,500	\$5,000
Cost of goods sold	<u>750</u>	<u>2,000</u>
Gross Profit	1,750	3,000
Operating expense	<u>500</u>	<u>700</u>
Operating income	1,250	2,300
Non-operating expense	<u>450</u>	<u>300</u>
Net income	\$ 800	\$2,000
Cash	\$1,000	\$2,000
Accounts receivable	500	1,500
Inventory	500	800
Prepaid expenses	200	500
Fixed assets	<u>4,500</u>	<u>4,000</u>
Total assets	\$6,700	\$8,800
Accounts payable	\$800	\$1,400
Accrued expenses	1,000	1,250
Short-term debt	750	500
Long-term debt	<u>1,000</u>	<u>500</u>
Total liabilities	3,500	3,650
Equity	<u>3,150</u>	<u>5,150</u>
Total Liabilities & equity	\$6,700	\$8,800

What is the corporation's debt to total capital in year 2?

- A. 71%
- B. 41%

C. 19%

D. 6%

Answer: C

5. Genco Healthcare has asked its controller to summarize the company's financial performance for the past two years. The accountant provided the following two years financial ratios for reference.

A. Less liquid more profitable more solvent

B. Less liquid more profitable less solvent

C. More Liquid Less profitable less solvent

D. More liquid, less profitable more solvent

Answer: B