

[Jan 24, 2023] Latest CMA-Financial-Planning-Performance-and-Analytics PDF Dumps & Real Tests Free Updated Today [Q66-Q89]

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Q66. A company has prepared the following pro forma income statements. It plans to sell 10,000 units in the current year and 11,500 units next year.

	<u>Current Year</u>	<u>Next Year</u>
Total sales	\$ 990,000	\$1,115,730
Cost of goods sold	<u>350,000</u>	<u>391,000</u>
Gross profit	640,000	724,730
Operating expenses	<u>125,000</u>	<u>136,500</u>
Net operating profit	<u>\$ 515,000</u>	<u>\$ 588,230</u>

- * Increase sales revenue by 15%.
- * Reduce cost of goods sold by \$1.00 per unit
- * Increase gross profit margin by 15%
- * Reduce operating expenses by \$1.00 per unit

Q67. In developing a risk-based approach to internal control, a company is considering the risks posed to various accounts due to the complex calculations involved as well as industry factors that make measurement difficult.

These risk factors are part of

- * systems risk
- * account level risk
- * control risk
- * inherent risk

Q68. Stone Ltd manufactures socket wrenches. The company produced 400,000 wrenches and sold 350,000 this year. The following information pertains to the costs accumulated in Stone's inventory.

Beginning fixed manufacturing costs	\$60,000
Ending fixed manufacturing costs	43,250
Beginning variable manufacturing costs	35,000
Ending variable manufacturing costs	15,250
Fixed non-manufacturing costs	820,000

What is the difference between Stone's operating income under absorption costing and variable costing?

- * \$16,750 higher using absorption costing.
- * \$19,750 lower using variable costing
- * \$28,000 lower using variable costing
- * \$36,500 higher using absorption costing

Q69. What is ZFI's expected variable overhead cost per pound of food produced? Show your calculations. Essay Zhiliang Foods Inc. (ZFI) is a privately-held food distributor. ZFI has two production departments; the Meat Department is labor-intensive, while the Bakery Department is highly automated. ZFI applies a single overhead allocation rate, using the number of pounds produced as an allocation base for the whole company. The expected annual overhead costs of ZFI for 100 million pounds produced are as follows (¥ in millions).

Rent	¥ 10
Depreciation	60
Factory utilities	30
Administrative salaries	40
Production payroll	20
Other variable overhead costs	40
Total overhead costs	¥200

ZFI has one payroll administrator in its Human Resources department, but most of the payroll related work is outsourced to a payroll service provider. ZFI's payroll administrator is responsible for tracking the list of current employees and maintaining the most up-to-date employee information, including bank accounts for payroll direct deposits.

Each pay period, the payroll administrator emails the information for all current employees' hours worked to the payroll service provider. The service provider then processes the payroll, makes direct deposits to employees' bank accounts, mails payroll stubs to employees' homes and emails payroll reports to ZFI's payroll administrator. The payroll administrator then makes payroll journal entries to ZFI's accounting system based on the payroll reports received. ZFI's accountant prepares a bank reconciliation each month to ensure ZFI's payroll payments on ZFI's bank statement match the amounts shown on the payroll reports from the service provider.

ZFI's management is evaluating the purchase of data encryption software and human resources management software next year. The human resource management software is expected to provide various human resources and payroll-related functions.

In addition, the human resource software can generate a report to indicate the monthly employee turnover rate and the average service length of employees who have resigned. The system can also generate a report to indicate the main reasons for resignations and identify current employees who are at risk of resigning. The system will recommend actions to help retain these employees, such as more training opportunities or a pay raise.

See the Answer below in Explanation details.

Explanation

Factory Utilities 30m

Production Payroll 20m

Other Variable Cost 40m

Total Variable OHD 90m

Total Pounds Produced 100m

Hence variable OHD per pound / 90m = 100m = 0.9

Q70. The purchasing team manager of a large car retailer is responsible for purchasing cars for the best price and managing his team's payroll costs. Once the car is purchased the sales team manager is responsible for setting the prices. Which one of the

following statements best describes the team's responsibilities?

- * The purchasing team is an investment center and the sales team is a revenue center
- * The purchasing team is a cost center, and the sales team is an investment center.
- * The purchasing team is an investment center and the sales team is a profit center
- * The purchasing team is a cost center, and the sales team is a revenue center

Q71. Which one of the following represents a temporary difference under U.S GAAP?

- * Accrued liabilities
- * interest received in municipal bonds
- * Percentage depletion of natural resources
- * Fines and expenses resulting from violation of the law

Q72. would you recommend any changes to the job responsibilities of ZFI's payroll administrator from an internal control perspective? Explain why.

Essay

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See the Answer below in Explanation details.

Explanation

The work of the payroll administrator is not supervised so he can add fake employees and get their salaries in account operated by him; A supervisory or department heads should review his work before processing.

Secondly an accountant should be responsible for passing the entries rather than the administrator, the system lacks segregation of duties which can facilitate fraud and errors.

Q73. Hill Corporation sold some of its accounts receivable including one from Custom Company, to Dale incorporated without recourse, Because of this transaction.

- * Dale incorporated has no recourse against Hill Corporation
- * Hill Corporation has no recourse against Dale Incorporated
- * Custom Company has no recourse against Hill Corporation
- * Custom Company has no recourse against Dale incorporated

Q74. Sullivan Company's static Budget for the past year is shown below.

Units expected to be sold	10,000,000
Sales dollars	\$100,000,000
Cost of sales (60% variable)	45,000,000
Other costs (all fixed)	48,000,000
Income before taxes	7,000,000
Income taxes	2,800,000
Net income	\$4,200,000

Sullivan actually sold 11,000,000 units throughout the year which was a quantity within its relevant range. The flexible budget net income that should be used to compare to actual results is

- * \$4,200,000.00
- * \$7,500,000.00
- * \$6,580,000.00
- * \$11,500,000.00

Q75. Trans Action inc. (TAI) is a multidivisional supplier of power train components to the automobile industry.

Following is selected information for the year just ended for each of the three divisions. Gear Axle and Housing.

	(Thousands of \$)		
	Gear	Axle	Housing
Revenue	75,000	30,000	26,000
Total expenses	63,000	27,000	21,000
Plant and equipment	28,000	7,000	3,500
Working capital	32,000	3,000	16,500

The TAI Board of Directors has decided to reward the employees of the divisions by allowing them to share in a bonus pool equal to \$100,000 for each percentage point the return on investment (ROI) earned by their division exceeded the ROI of comparable firms as shown in the table below.

	Gear	Axle	Housing
ROI for comparable firms	25%	28%	21%

Rank the amounts in the bonus pools for the respective divisions from highest to lowest.

- * Axle, Housing, Gear
- * Gear, Housing, Axle
- * Axle, Gear, Housing
- * Housing, Axle, Gear.

Q76. Mauer Company's master budget for next year indicates the following

Sales	\$55,000,000
Raw materials used	10,000,000
Raw materials purchased	12,000,000
Conversion costs (80% variable)	15,000,000
Sales commissions	550,000
Fixed selling and administrative costs	25,000,000

- * \$40,500,000
- * \$39,950,000
- * \$37,950,000
- * \$30,000,000

Q77. identify the category of the Food-To-Go division in the BCG Growth-Share Matrix and discuss whether FDL should allocate more capital funding to the Food-To-Go division.

Essay

Food Depot Ltd (FDD) is a privately-held company that provides catering services to airlines and operates several restaurant chains including fast food, casual dining, and fine dining restaurants. FDL has been profitable in recent years and has a very strong cash position. FDL's newest division, Food-To-Go, is an online meal ordering and delivery platform acquired by FDL two years ago.

In 20X7, sales for the entire company were \$1 billion, with 50% of the business coming from the Airline Catering division. FDL is the country's leading airline catering services provider and controls 60% of the market share. However, the outlook of the airline catering industry is gloomy. The compound annual growth rate of the industry for the past five years was only 0.5% as airline networks have increasingly dropped catering on short domestic flights.

The Food-To-Go division only contributed 5% of FDL's total sales in 20X7 and is far behind in competing for market share of the online meal ordering and delivery industry. It is estimated that Food-To-Go's sales were only 20% of the industry leader's sales. However, the outlook for the online meal ordering and delivery services industry is bright. The compound annual growth rate of the industry since it started three years ago was 50%. It is estimated the rapid growth of the industry will continue in the foreseeable future.

The costs of shared corporate services are allocated based on each division's revenue. FDL usually caps its capital expenditure budget to 4% of budgeted sales revenue. In a recent capital budget coordination meeting,

Smith Whitney, the head of the Airline Catering division, complained that his division is underfunded on capital projects. The budgeted capital expenditure had been much less than 4% of the division's budgeted sales in the past three years. He argued that his division is the company's best-performing division, and it needs more funds to maintain its market share in the industry. Whitney wants to reduce the capital expenditure budget for Food-To-Go and reallocate those funds to his division.

Susan Wiley, the head of Food-To-Go, does not agree that the Airline Catering division is the best-performing division in the

company Wiley argues that her division had the highest ROI in 20X7. and it deserves more capital funding FDL's required rate of return is 12%. The selected financial data for the Airline Catering division and Food-To-Go division in 20X7 are as follows (in \$ millions).

	Airline Catering	Food-To-Go
Sales	\$ 500	\$50
Operating income	300	5
Net book value of assets (average for the year)	2,000	10

See the Answer below in Explanation details.

Explanation

The food to 90 division will be classed as question mark due to the fact that the market of this industry is growing and expected to grow, however the company share in the market is less as compared to the market leader. It requires funding so that the market opportunities can be exploited and hence the company can expand in this industry to secure its future.

Q78. The following information pertains to Wang Corporation which uses standard costing for its materials.

The following information pertains to Wang Corporation which uses standard costing for its materials.

Standard for material per unit	2 pounds at \$3 per pound
Actual information for last month:	Purchased 25,000 pounds for \$70,000
	Used 20,000 pounds to produce 9,000 units

What is me amount of the unfavorable material-related variance that would appear on a report to the production foreman?

- * \$4,000
- * \$5,000
- * \$5,600
- * \$6,000

Q79. A company has developed a core competency in data mining. Which one of the following best describes this core competency?

- * Ability to derive valid information from large databases using statistical techniques
- * Expertise in extracting data from large volumes of unstructured text using query tools
- * SQL mastery for structuring data as a oasis for applying data analytics
- * Ability to develop recommendations for action based on the analysts of large data sets

Q80. Comprehensive income is best defined as

- * total revenues minus total expenses
- * net income excluding realized gams and losses
- * the change In net assets for the period excluding owner transactions
- * the change in net assets for the period including contributions from owners and distributions to owners

Q81. Company A currently uses U.S GAAP while Company 8 is currently using IFRS. Both companies are individually in the process of internally developing trademarks that have been demonstrated to be technically and economically feasible Both

companies have incurred development costs in the current year with respect to their internally developed trademarks. Which one of the following best describes how Company A and Company B should account for these development costs in their financial statements?

- * Company A should expense the development costs while Company B should capitalize the development costs
- * Company A should capitalize the development costs while Company B should expense the development costs
- * Both Company A and Company B should capitalize the development costs
- * Both Company A and Company B should expense the development costs

Q82. What is the best type of accounting system control to help prevent improper manipulation of data and to ensure the continued, satisfactory use of the hardware and software?

- * Processing controls such as limiting access
- * Output controls such as a maximum check
- * input controls such as a limit check
- * Throughput controls such as a hash total

Q83. COSO's Internal Control-Integrated Framework is the widely accepted internal control framework in the U S Five major Internal control components are Included in this framework Control environment consists of

- * management s identification and analysis of risks relevant to the preparation of financial statements according to generally accepted accounting principles
- * management's ongoing and periodic assessment of the quality of internal control performance to determine if controls are operating as intended
- * policies and procedures that management has established to meet its objectives for financial reporting
- * the actions, policies, and procedures that reflect the overall attitudes of top management directors and owners about internal control

Q84. A company recently used 500 direct labor hours to manufacture ten units of a new product, if the company employs the cumulative average-time learning model with a 90% learning curve, the number of direct labor hours the company would expect to use to produce the next ten units of this product is

- * 500
- * 475
- * 450
- * 400

Q85. A company incurred the following selected costs In its manufacturing operations during the month.

- * \$20,000
- * \$21,000
- * \$22,000
- * \$23,000

Q86. Anatolian Textile Company produces blue-jean pants for a globally known blue-jean brand and its annual financial results are shown below.

	Actual Results	Flexible Budget	Master Budget(Static)
Units	4,200	4,200	4,500
Sales	€220,500	€210,000	€225,000
Variable Expenses	160,000	147,000	157,500
Contribution Margin	74,000	63,000	67,500
Fixed Expenses	22,000	21,000	21,000
Operating Income	52,000	42,000	46,500

Based on the table the sales-price variance for the company is

- * ?4,500 unfavorable
- * ?4,500 favorable
- * ?10,500 favorable
- * ?10,500 unfavorable

Q87. Ingle Inc. has adopted a quality management program that considers all defects as avoidable and unnecessary. The goal of this program is to have zero defects. Ingle uses a process costing system and has recognized the cost of normal and abnormal spoilage on its financial statements. How will the new quality management program affect the accounting for normal and abnormal spoilage?

- * All spoilage will be recognized as normal spoilage
- * All spoilage will be recognized as abnormal spoilage
- * All spoilage will be assigned to ending finished goods inventory
- * There will be no effect

Q88. As part of the COSO Internal Control Framework, segregation of duties and documentation are included in which of the components of the COSO model below?

- * Operating environment
- * Risk assessment
- * Control activities
- * Information and communication

Q89. Discuss how FDL's allocation of shared corporate services costs may overstate the profitability of the Food-To-Go division, and provide your recommendation on shared corporate services costs allocation.

Essay

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Sales	\$ 500	\$50
Operating income	300	5
Net book value of assets (average for the year)	2,000	10

See the Answer below in Explanation details.

Explanation

The revenues of food to go division are less as compared to airline catering division which means less proportion of the overheads will be diverted to the division irrespective of the use Recommended method

-stand-alone

-incremental method of allocating the shared corporate service costs

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