

Certified Management Accountant Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What does the coefficient of variation measure?**
 - A. The total return on investment**
 - B. Risk per unit of return**
 - C. The average cost of production**
 - D. The level of market volatility**
- 2. How is the annual benefit of cash collections calculated?**
 - A. Daily cash receipts x days of reduced float**
 - B. (Daily cash receipts x days of reduced float) x opportunity cost of funds**
 - C. Opportunity cost of funds x total cash collections**
 - D. Daily cash receipts + opportunity cost of funds**
- 3. What is the hurdle rate?**
 - A. The maximum allowable cost of equity**
 - B. The minimum acceptable rate of return for an investment**
 - C. The average return of all investments in the firm**
 - D. The optimum financing cost for new projects**
- 4. Which formula is used to determine the midpoint of price elasticity?**
 - A. $[(Q1 - Q2) / (P1 - P2)] / [(Q1 + Q2) / (P1 + P2)]$**
 - B. $[(Q1 + Q2) / (P1 + P2)] \times [(P1 - P2) / (Q1 - Q2)]$**
 - C. % change in quantity demanded + % change in price**
 - D. $(Q1 + Q2) / (P1 + P2)$**
- 5. Which analytical approach emphasizes results and outcomes rather than the process of achieving them?**
 - A. Deontological analysis**
 - B. Utilitarian analysis**
 - C. Consequence-driven analysis**
 - D. Process-based analysis**

- 6. What does unexpected loss refer to in risk management?**
- A. The anticipated loss amount**
 - B. The potential for loss to exceed expectations**
 - C. The total financial loss**
 - D. The historical average loss**
- 7. How is the average accounts receivable calculated?**
- A. $(\text{Beginning AR} + \text{Ending AR}) / 2$**
 - B. Net credit sales x average collection period**
 - C. Daily credit sales x average collection period**
 - D. Net credit sales divided by accounts receivable turnover**
- 8. What effect does a weak currency typically have on a country's balance of trade?**
- A. Increases the country's imports**
 - B. Decreases the balance of trade**
 - C. Makes goods more affordable, improving the balance of trade**
 - D. Reduces export competitiveness**
- 9. Complementary controls are designed to:**
- A. Work independently to manage risks**
 - B. Only focus on financial risks**
 - C. Work with other controls to reduce risk to an acceptable level**
 - D. Replace all primary controls**
- 10. What type of loan is secured by personal property such as equipment or livestock?**
- A. Floating lien**
 - B. Chattel mortgage**
 - C. Commercial paper**
 - D. Secured loan**

Answers

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1. B
2. B
3. B
4. A
5. B
6. B
7. A
8. C
9. C
10. B

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Explanations

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1. What does the coefficient of variation measure?

- A. The total return on investment
- B. Risk per unit of return**
- C. The average cost of production
- D. The level of market volatility

The coefficient of variation is a statistical measure that quantifies the extent of variation in relation to the average or mean of a dataset. Specifically, it is calculated as the ratio of the standard deviation to the mean, which provides insight into the relative variability of data points compared to the expected average outcome. When interpreting this measure in the context of finance or investment, the coefficient of variation serves to assess risk per unit of return. A higher coefficient indicates greater risk relative to the expected return, and vice versa. As such, it is particularly useful for making comparisons between different investments or portfolios. Investors can use the coefficient of variation to evaluate the stability of returns relative to the return itself, thus helping them make informed decisions based on their risk tolerance and investment goals. This metric is crucial in portfolio management and performance analysis, allowing finance professionals to identify and compare the riskiness of various investment options relative to their returns. Options that might seem tempting based solely on their return levels may show a high coefficient of variation, indicating that they carry a higher level of associated risk than may be acceptable for a particular investment strategy.

2. How is the annual benefit of cash collections calculated?

- A. Daily cash receipts x days of reduced float
- B. (Daily cash receipts x days of reduced float) x opportunity cost of funds**
- C. Opportunity cost of funds x total cash collections
- D. Daily cash receipts + opportunity cost of funds

The annual benefit of cash collections is calculated by taking into account both the daily cash receipts and the opportunity cost of funds. By multiplying the daily cash receipts by the number of days of reduced float, you determine the total cash flow that could be used sooner due to the faster collection of cash. This benefits the organization by allowing it to utilize those funds earlier. Adding the opportunity cost of funds into the calculation reflects the potential income that could be earned on the cash if it were invested instead of being delayed due to slow cash collections. Therefore, the full calculation—combining the immediate cash benefits from earlier availability and the potential returns from those funds—captures the total annual benefit to the organization. This comprehensive approach provides a clear view of how optimizing cash collection processes can enhance financial performance.

3. What is the hurdle rate?

- A. The maximum allowable cost of equity
- B. The minimum acceptable rate of return for an investment**
- C. The average return of all investments in the firm
- D. The optimum financing cost for new projects

The hurdle rate is defined as the minimum acceptable rate of return for an investment. This rate serves as a benchmark that an investment must meet or exceed for it to be considered worthwhile. In capital budgeting and project evaluation, the hurdle rate is crucial because it helps determine whether to proceed with a project or investment opportunity. If the expected return exceeds this rate, the investment is typically deemed favorable; if it falls below, it may not be justifiable. This concept is essential in investment decision-making because it reflects the opportunity cost of capital and accounts for the risk associated with the investment. Organizations often set their hurdle rates based on the weighted average cost of capital, required return on equity, and other risk factors that affect the potential return of an investment.

4. Which formula is used to determine the midpoint of price elasticity?

- A. $[(Q1 - Q2) / (P1 - P2)] / [(Q1 + Q2) / (P1 + P2)]$**
- B. $[(Q1 + Q2) / (P1 + P2)] \times [(P1 - P2) / (Q1 - Q2)]$
- C. % change in quantity demanded + % change in price
- D. $(Q1 + Q2) / (P1 + P2)$

The formula for determining the midpoint of price elasticity is structured to provide a more accurate measure of elasticity by using the average quantities and average prices, which can mitigate the potential problem of different base values skewing the results. In the formula presented, the first component: $(Q1 - Q2) / (P1 - P2)$ captures the change in quantity in relation to the change in price, giving an initial measure of the price elasticity. This is then divided by the average quantities and average prices: $[(Q1 + Q2) / (P1 + P2)]$, which normalizes the changes to provide a more balanced perspective on elasticity over the range observed. This midpoint approach is particularly useful in scenarios where there is a significant deviation in the initial values of quantity and price, ensuring that the elasticity calculated is not biased by the choice of the starting point. This method helps analysts and managers understand the responsiveness of quantity demanded to price changes in a more balanced context, thus providing insights that can influence pricing strategies, demand forecasting, and market analysis.

5. Which analytical approach emphasizes results and outcomes rather than the process of achieving them?

- A. Deontological analysis**
- B. Utilitarian analysis**
- C. Consequence-driven analysis**
- D. Process-based analysis**

Utilitarian analysis emphasizes results and outcomes over the methods used to achieve them. This approach is rooted in the ethical framework that prioritizes the greatest good for the greatest number, focusing on the consequences of actions. In practice, utilitarianism evaluates decisions based on their overall impact, weighing benefits against harms to determine the most effective course of action. This contrasts with other analytical approaches, such as deontological analysis, which focuses on the morality of actions themselves rather than their outcomes. Similarly, process-based analysis emphasizes how tasks are performed rather than the results achieved, highlighting the importance of methods over end results. Consequence-driven analysis, while related to outcomes, is not as widely recognized in ethical discourse as utilitarianism, which specifically aims at maximizing overall utility. In summary, the correct answer is underpinned by the principle that the merit of any action is judged based on its contribution to overall wellbeing, aligning perfectly with the essence of utilitarian thoughts in ethical considerations.

6. What does unexpected loss refer to in risk management?

- A. The anticipated loss amount**
- B. The potential for loss to exceed expectations**
- C. The total financial loss**
- D. The historical average loss**

In the context of risk management, unexpected loss is understood as the potential for loss to exceed expectations. This concept focuses on losses that occur beyond what is typically predicted or accounted for in standard risk assessments. Risk management frameworks often incorporate various models that estimate expected loss, which is based on historical data and anticipated trends. However, unexpected loss pertains to those extreme events or outcomes that fall outside of the normal risk profile. These losses can result from unforeseen circumstances or low-probability but high-impact events, making it critical for organizations to maintain adequate capital reserves and prepare for such scenarios. The estimation and management of unexpected loss help firms to safeguard against significant financial downturns that can significantly affect overall operations and stability. In contrast, anticipated loss, total financial loss, and historical average loss define more predictable and quantifiable risk factors rather than focusing on the unforeseen magnitude of potential loss that can arise in risk scenarios.

7. How is the average accounts receivable calculated?

A. (Beginning AR + Ending AR) / 2

B. Net credit sales x average collection period

C. Daily credit sales x average collection period

D. Net credit sales divided by accounts receivable turnover

The average accounts receivable is calculated using the formula that takes the sum of the beginning accounts receivable and the ending accounts receivable and divides it by two. This method provides a straightforward way to determine the average balance of accounts receivable over a specific period, allowing for a better understanding of how effectively a company is managing its credit sales. This calculation is particularly useful because it smooths out fluctuations that can occur at the beginning or end of the period, offering a more stable view of a company's receivables. For instance, if a business experiences seasonal sales patterns, the average balances will give a clearer picture compared to taking just the ending amount. The other methods mentioned involve sales and turnover calculations, which do not focus on determining the average balance of accounts receivable directly. These alternatives may be used for other financial ratios but do not specifically address the average accounts receivable itself.

8. What effect does a weak currency typically have on a country's balance of trade?

A. Increases the country's imports

B. Decreases the balance of trade

C. Makes goods more affordable, improving the balance of trade

D. Reduces export competitiveness

A weak currency typically makes domestically produced goods less expensive for foreign buyers and can lead to an increase in export demand. This phenomenon occurs because when a country's currency weakens, the prices of its goods become lower for buyers using stronger currencies. As a result, exports tend to rise, enhancing the balance of trade, which refers to the difference between the value of a country's exports and imports. In this context, a weak currency does not make goods more affordable for the country itself; rather, it improves the competitiveness of exports on the international market. This can lead to a reduced import demand, as imported goods become relatively more expensive for domestic consumers and businesses. Consequently, the balance of trade can improve through a higher volume of exports compared to imports. Overall, the strengthening of export competitiveness fosters growth in a country's balance of trade, as it favors exports over imports.

9. Complementary controls are designed to:

- A. Work independently to manage risks**
- B. Only focus on financial risks**
- C. Work with other controls to reduce risk to an acceptable level**
- D. Replace all primary controls**

Complementary controls are specifically designed to collaborate with other controls in an organization's risk management strategy. Their purpose is to enhance the overall effectiveness of the control system by ensuring that various controls operate synergistically. This collaborative approach helps reduce risks to an acceptable level by filling in gaps that might exist if controls were applied in isolation. For instance, if one control is weak in a particular area, complementary controls can address that weakness, thereby strengthening the overall risk management framework. This is essential for organizations seeking to mitigate risk comprehensively rather than relying solely on a single control mechanism. The other options do not accurately reflect the nature of complementary controls. Some may propose that controls work independently; however, it is through their interconnectedness that comprehensive risk management is achieved. Furthermore, while financial risks are important, complementary controls are intended to address a wider variety of risks, not just financial ones. Lastly, the idea that complementary controls could replace all primary controls is misleading, as they are meant to enhance rather than substitute for existing controls.

10. What type of loan is secured by personal property such as equipment or livestock?

- A. Floating lien**
- B. Chattel mortgage**
- C. Commercial paper**
- D. Secured loan**

The correct answer is chattel mortgage because it specifically involves a loan that is secured by personal property, which can include equipment, livestock, vehicles, or other tangible assets that are not attached to real estate. This arrangement allows the borrower to retain possession of the collateral while the lender has a secured interest in it, meaning that if the borrower defaults on the loan, the lender can take possession of the specified personal property. A floating lien, while it also pertains to collateral for loans, typically refers to an arrangement that covers fluctuating assets and may not specifically pertain to chattel like equipment or livestock. Commercial paper refers to a short-term unsecured promissory note issued by companies to finance their immediate operational needs and does not involve collateral. A secured loan is a broader term that describes any loan backed by collateral, but a chattel mortgage distinctly pertains to movable personal property, thus making it the most precise answer in this scenario.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cma.examzify.com>

We wish you the very best on your exam journey. You've got this!