

# **CERTIFIED MANAGEMENT ACCOUNTANT PRACTICE EXAM (SAMPLE) STUDY GUIDE**



## **SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS**

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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

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- 1. What is the role of the Contribution Margin in cost analysis?**
  - A. It helps in determining variable costs directly
  - B. It indicates how much revenue is available after covering variable costs
  - C. It measures the sales volume required to break-even
  - D. It reflects total profits from sales
- 2. Which of the following is considered a financial risk?**
  - A. Market risk
  - B. Production risk
  - C. Labor risk
  - D. Marketing risk
- 3. What criterion do firms often use to rank projects when limited resources are available?**
  - A. The total number of projects undertaken
  - B. The investment cost versus market demand
  - C. Net present value per dollar invested
  - D. The estimated project completion time
- 4. What does risk analysis attempt to measure in investments?**
  - A. The total return from an investment
  - B. The likelihood of future returns' variability
  - C. The initial investment's profitability
  - D. The cash flow consistency over time
- 5. Which of the following is a characteristic of money market mutual funds?**
  - A. High-risk investment
  - B. Investments are primarily in long-term bonds
  - C. Pooled assets of investor-owners for lower risk
  - D. Focus on equity securities
- 6. What is the nature of the beta coefficient?**
  - A. It measures liquidity of investments
  - B. It indicates security market risks
  - C. It calculates the expected returns on an investment
  - D. It represents fixed income performance

- 7. What is commercial paper characterized by?**
- A. A secured note issued by any firm.
  - B. An unsecured note sold by highly creditworthy firms.
  - C. A bond with a long maturity period.
  - D. An equity security that pays dividends.
- 8. How can management effectively compare performance to industry standards?**
- A. By using budget forecasts
  - B. By employing financial ratios
  - C. By assessing employee performance
  - D. By reviewing past year's tax returns
- 9. What is the formula for projecting overdue receivables?**
- A. Total credit sales multiplied by collection period
  - B. Total credit sales multiplied by percentage after due date
  - C. Total credit sales multiplied by collection period or days late divided by 360
  - D. Total credit sales divided by the average account balance
- 10. What is classified as a relevant cost in decision-making?**
- A. Costs that do not change between alternatives
  - B. Costs that cannot be avoided
  - C. Costs that differ between alternatives and can be avoided
  - D. All sunk costs that are already incurred

## **Answers**

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

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## **Explanations**

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## 1. What is the role of the Contribution Margin in cost analysis?

- A. It helps in determining variable costs directly
- B. It indicates how much revenue is available after covering variable costs**
- C. It measures the sales volume required to break-even
- D. It reflects total profits from sales

*The Contribution Margin plays a significant role in cost analysis by indicating how much revenue is available after covering variable costs. This measurement allows businesses to understand how much money is left over from sales after accounting for the variable expenses associated with producing those sales. Essentially, the Contribution Margin is calculated as sales revenue minus variable costs, and it provides insight into how much revenue contributes to covering fixed costs and generating profits. By focusing on the Contribution Margin, management can make informed decisions regarding pricing, budgeting, and financial forecasting. It highlights the relationship between sales volume, variable costs, and profitability, facilitating better strategic planning. Understanding the Contribution Margin also helps businesses analyze which products or services contribute most to profitability, enabling them to focus their efforts where they can maximize returns. The other options relate to various aspects of financial analysis but do not directly align with the fundamental purpose of the Contribution Margin in offering insights about revenue remaining after variable costs.*

## 2. Which of the following is considered a financial risk?

- A. Market risk**
- B. Production risk
- C. Labor risk
- D. Marketing risk

*Market risk is classified as a financial risk because it relates directly to the potential for financial losses due to fluctuations in market conditions. These fluctuations can be the result of changes in interest rates, exchange rates, stock prices, or commodity prices. When investors or companies are exposed to market risk, their investments may lose value due to these unpredictable external factors. In contrast, production risk, labor risk, and marketing risk are not categorized as financial risks. Production risk pertains to uncertainties in the manufacturing process, which could potentially impact the costs and availability of products. Labor risk involves issues related to workforce stability, productivity, and labor laws, all of which affect operations but do not directly impact financial market valuations. Marketing risk relates to the potential for loss due to ineffective marketing strategies or changes in consumer preferences, and while it can affect sales and revenue, it does not involve the same inherent uncertainties present in financial markets. Thus, market risk is recognized as a vital component of financial risk management, making it the correct choice in this question.*

### 3. What criterion do firms often use to rank projects when limited resources are available?

- A. The total number of projects undertaken
- B. The investment cost versus market demand
- C. Net present value per dollar invested**
- D. The estimated project completion time

Firms often use net present value per dollar invested as a criterion to rank projects when resources are limited because it provides a clear measure of profitability relative to the amount of capital required. This approach allows companies to prioritize projects that are expected to yield the highest returns for each dollar spent, ensuring more efficient allocation of scarce resources. By focusing on net present value (NPV), which considers the time value of money and future cash flows, firms can evaluate the potential profitability and assess long-term impacts. The 'per dollar invested' aspect emphasizes the importance of maximizing return on investment, particularly when choices must be made among multiple potential projects. Utilizing this criterion helps in making informed decisions that support strategic objectives and enhances financial performance, especially in competitive markets where firms often face resource constraints.

### 4. What does risk analysis attempt to measure in investments?

- A. The total return from an investment
- B. The likelihood of future returns' variability**
- C. The initial investment's profitability
- D. The cash flow consistency over time

Risk analysis aims to measure the likelihood of future returns' variability, which is critical in the context of investments. By assessing the potential fluctuations in returns, investors can understand the degree of uncertainty associated with an investment and make informed decisions based on their risk tolerance. This involves evaluating historical performance data, market conditions, and various external factors that could impact the investment's future performance. Understanding the variability of future returns helps in forecasting potential losses and gains, allowing investors to weigh the risks against the expected rewards. This is essential in forming a balanced investment strategy that aligns with an individual's financial goals and risk appetite. A focus on the variability of returns also aids in portfolio diversification decisions, helping to mitigate risks across different assets. Other aspects of investment analysis, such as total return, initial profitability, and cash flow consistency, are important, but they do not capture the core purpose of risk analysis, which is specifically centered on assessing the uncertainty and potential variability in returns.

### 5. Which of the following is a characteristic of money market mutual funds?

- A. High-risk investment
- B. Investments are primarily in long-term bonds
- C. Pooled assets of investor-owners for lower risk**
- D. Focus on equity securities

Money market mutual funds are designed to offer investors a relatively safe place to invest cash in the short term. A key characteristic of these funds is that they pool assets from multiple investors. This pooling of funds allows for diversification, which significantly lowers the overall risk compared to individual investment options. The diversified portfolio typically consists of short-term, high-quality debt instruments, such as Treasury bills and commercial paper, which are less susceptible to large fluctuations in value. By being low-risk, they attract conservative investors looking for a safe place to park their cash while still earning a small return. This is especially appealing during times of economic uncertainty when investors may prioritize the preservation of capital. Therefore, the pooling of assets contributes to managing risk effectively, making this characteristic a defining feature of money market mutual funds.

## 6. What is the nature of the beta coefficient?

- A. It measures liquidity of investments
- B. It indicates security market risks**
- C. It calculates the expected returns on an investment
- D. It represents fixed income performance

*The beta coefficient is a key measure in finance that indicates the level of systematic risk associated with a particular security compared to the overall market. It reflects the tendency of an investment's returns to respond to market movements. A beta of 1 suggests that the security's price is expected to move with the market; a beta greater than 1 indicates greater volatility (higher risk), while a beta less than 1 indicates less volatility (lower risk) compared to the market. Understanding beta is crucial for investors when assessing potential investments within the context of their overall risk tolerance and the performance of the market. By indicating how a security might behave in relation to market fluctuations, the beta coefficient allows investors to make more informed decisions regarding asset selection and portfolio management. The other choices do not capture the specific role of beta in measuring risk. While liquidity pertains to how easily an investment can be bought or sold without affecting its price, and expected returns concern the anticipated profitability of an investment, these concepts do not align with the fundamental purpose of the beta coefficient. Additionally, fixed income performance typically relates to bonds and interest rates rather than the market-risk dynamic encapsulated by beta.*

## 7. What is commercial paper characterized by?

- A. A secured note issued by any firm.
- B. An unsecured note sold by highly creditworthy firms.**
- C. A bond with a long maturity period.
- D. An equity security that pays dividends.

*Commercial paper is characterized as an unsecured note sold by highly creditworthy firms. This means that these firms issue short-term debt instruments to meet their immediate financing needs, typically for working capital. Since commercial paper is unsecured, it is not backed by any collateral; instead, it relies solely on the creditworthiness of the issuing company. The firms that issue commercial paper generally have strong credit ratings, which allows them to borrow funds at a lower cost compared to riskier issuers. The maturity of commercial paper is usually short, ranging from a few days to up to 270 days, making it an attractive option for companies looking for quick liquidity without the need to secure the debt with specific assets. In contrast, the other options do not accurately describe commercial paper. Secured notes, such as bonds, involve collateral backing and are not typically vibrant in the commercial paper market. Long-term bonds differ significantly in terms of maturity and security features. Equity securities, on the other hand, represent ownership in a company and involve dividends but do not fall under the category of debt instruments like commercial paper. Thus, the defining feature of commercial paper—that it is an unsecured note from highly creditworthy firms—distinguishes it from other financial instruments.*

## 8. How can management effectively compare performance to industry standards?

- A. By using budget forecasts
- B. By employing financial ratios**
- C. By assessing employee performance
- D. By reviewing past year's tax returns

*Employing financial ratios is a strategic method for management to effectively compare performance to industry standards because these ratios provide quantifiable metrics that reflect a company's financial health and operational efficiency relative to its peers within the same industry. Financial ratios can include measures of profitability, liquidity, solvency, and efficiency, which are standardized and commonly used in benchmarking against industry averages. For instance, profitability ratios like the return on equity (ROE) and net profit margin can be compared to similar figures from competing firms to assess how well a company is performing in generating profits relative to others. Likewise, liquidity ratios such as the current ratio and quick ratio help gauge a company's ability to meet short-term obligations, providing critical insights when compared to industry benchmarks. This analysis allows management to identify strengths and weaknesses, make informed financial decisions, and implement strategies for improvement based on how they stand in relation to industry standards. While budget forecasts can guide internal targets and expectations, they do not provide a broad view of how the company is performing relative to others in the industry. Assessing employee performance primarily focuses on individual contributions rather than overall financial standing compared to industry performance, and reviewing past year's tax returns offers limited insight into current or comparative financial health.*

## 9. What is the formula for projecting overdue receivables?

- A. Total credit sales multiplied by collection period
- B. Total credit sales multiplied by percentage after due date
- C. Total credit sales multiplied by collection period or days late divided by 360**
- D. Total credit sales divided by the average account balance

*The correct formula for projecting overdue receivables involves total credit sales multiplied by the collection period or days late divided by 360. This method provides an estimation of the amount of receivables that are overdue by considering both the sales made on credit and the time frame over which these receivables are expected to be collected. When calculating overdue receivables, understanding the collection period is crucial; it reflects the average number of days that it takes to collect payment after a sale has been made. By including the 'days late' in the calculation, the formula also accounts for the specific overdue nature of those receivables. Dividing by 360 standardizes the calculation into annual terms, making it easier to interpret within the context of typical credit terms and business cycles. Other formulas provided do not accurately reflect the projection of overdue receivables. Total credit sales multiplied by collection period simply estimates sales and does not differentiate between current and overdue accounts. Similarly, total credit sales multiplied by the percentage after due date lacks the specificity of incorporating the actual time overdue, while dividing credit sales by the average account balance does not branch into overdue amounts, focusing instead on the overall efficiency of credit usage.*

## 10. What is classified as a relevant cost in decision-making?

- A. Costs that do not change between alternatives
- B. Costs that cannot be avoided
- C. Costs that differ between alternatives and can be avoided**
- D. All sunk costs that are already incurred

*In decision-making, relevant costs are those that will be directly impacted by the decision at hand. They play a crucial role because they affect the financial outcome of different choices. The correct choice highlights costs that differ between alternatives and can be avoided, which means they will change depending on the decision made. When evaluating different options, managers focus on costs that will be incurred or saved if a certain alternative is chosen. For example, if a business is considering whether to discontinue a product, relevant costs would include costs associated with producing the product that can be avoided if production ceases. This avoidability ensures that the decision-maker can effectively assess the true financial impact of each alternative. In contrast, costs that do not change between alternatives are irrelevant because they would remain the same regardless of the choice made. Similarly, costs that cannot be avoided or are not affected by the decision, such as sunk costs, also do not influence the current decision-making process as they have already been incurred and cannot be changed moving forward. Understanding which costs are relevant helps in making informed and financially sound decisions.*

## 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](mailto: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!

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