

CMA General & Administrative Practice Test (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. Which of the following is a correct interpretation of warranty in business contracts?**
 - A. A guarantee of performance**
 - B. A temporary agreement**
 - C. A non-legally binding promise**
 - D. A standard operating procedure**
- 2. Goals developed and documented by employees themselves are known as what?**
 - A. Strategic plans**
 - B. MBOs**
 - C. Day planners**
 - D. To do lists**
- 3. Identify a primary use of financial ratios in business management.**
 - A. To determine employee satisfaction**
 - B. To assess a company's performance and financial health**
 - C. To measure customer retention**
 - D. To manage inventory levels**
- 4. Which of the following would be indexed first?**
 - A. Allison A. Wilson**
 - B. Alice A. Wilson**
 - C. Mrs. Anthony (Alma) Wilson**
 - D. Alice B. Wilson**
- 5. Which statement is true regarding capital expenditures?**
 - A. They are usually expensed in the current period**
 - B. They represent an investment in long-term assets**
 - C. They have no impact on future cash flows**
 - D. They are incurred primarily for marketing purposes**

- 6. Which financial metric helps assess the effectiveness of a company's capital structure?**
- A. Gross profit margin**
 - B. Debt-to-equity ratio**
 - C. Current ratio**
 - D. Net income**
- 7. What is a key benefit of using standard costs in accounting?**
- A. They simplify tax calculations**
 - B. They provide a basis for variance analysis and cost control**
 - C. They eliminate the need for budgeting**
 - D. They only apply to manufacturing companies**
- 8. Which ethical principle involves providing benefit to the patient?**
- A. Justice**
 - B. Nonmaleficence**
 - C. Beneficence**
 - D. Autonomy**
- 9. Proximodistal growth and development progresses from which area?**
- A. The edges inward**
 - B. The center outward**
 - C. The outside inward**
 - D. Top to bottom**
- 10. What does GAAP stand for in accounting?**
- A. Generally Accepted Accounting Procedures**
 - B. General Administration and Accounting Policies**
 - C. Generally Accepted Accounting Principles**
 - D. General Accounting and Auditing Practices**

Answers

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

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Explanations

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1. Which of the following is a correct interpretation of warranty in business contracts?

- A. A guarantee of performance**
- B. A temporary agreement**
- C. A non-legally binding promise**
- D. A standard operating procedure**

In the context of business contracts, a warranty refers to a guarantee of performance. This means that the warranty provides assurance from one party to another that certain facts or conditions pertaining to the goods or services being provided are true and will be upheld. For example, a warranty might state that a product will work for a specified period; if it fails within that time frame, the company may be obligated to repair or replace it. This legal assurance builds trust in business transactions and protects both parties. The remaining options do not accurately capture the nature of a warranty. A temporary agreement suggests a contract of limited duration, while warranties are typically intended to cover a specific outcome regardless of the duration of the transaction. A non-legally binding promise does not hold up in legal contexts, whereas warranties are enforceable commitments in a business contract. Lastly, a standard operating procedure refers to established routines or protocols within an organization and is not related to the guarantees provided in contracts.

2. Goals developed and documented by employees themselves are known as what?

- A. Strategic plans**
- B. MBOs**
- C. Day planners**
- D. To do lists**

The goals developed and documented by employees themselves are referred to as Management by Objectives (MBOs). This approach encourages employees to identify and articulate their own objectives, which fosters a sense of ownership and accountability. By setting their own goals, employees are more likely to be motivated and committed to achieving them, aligning personal objectives with larger organizational targets. MBOs typically involve a collaborative process where managers and employees discuss, agree on, and record these goals. This method contrasts with other alternatives, such as strategic plans, which are often set at a higher organizational level without direct input from employees, or day planners and to-do lists, which are more focused on daily tasks and activities rather than broader performance objectives.

3. Identify a primary use of financial ratios in business management.

- A. To determine employee satisfaction**
- B. To assess a company's performance and financial health**
- C. To measure customer retention**
- D. To manage inventory levels**

Financial ratios are essential tools in business management primarily used to assess a company's performance and financial health. By analyzing various ratios, management can gain insights into different aspects of the business, such as profitability, liquidity, solvency, and efficiency. These metrics allow decision-makers to evaluate how well the company is doing financially compared to its historical performance, industry benchmarks, or competitors. For instance, profitability ratios like net profit margin indicate how much profit a company makes for each dollar of revenue, while liquidity ratios such as the current ratio measure a company's ability to cover its short-term obligations. By regularly evaluating these ratios, management can identify strengths and weaknesses within the organization, leading to informed strategy adjustments, resource allocation, and financial planning aimed at growth and sustainability.

4. Which of the following would be indexed first?

- A. Allison A. Wilson**
- B. Alice A. Wilson**
- C. Mrs. Anthony (Alma) Wilson**
- D. Alice B. Wilson**

The correct choice, Alice A. Wilson, is indexed first because the convention for indexing names often follows a specific order: last name, first name, and then any middle initials. In this case, all the names provided share the same last name "Wilson." To establish the indexing order, you would first look at the first name. "Alice" comes before "Allison" and "Anthony," and among those with the same first name "Alice," it has a middle initial "A" which also determines its place. The convention typically dictates that if there are multiple individuals with the same last name and first initial, then the second letter should be considered next. Alice B. Wilson, although it also starts with "Alice," is indexed after Alice A. Wilson because "A" precedes "B" in alphabetical order. Therefore, Alice A. Wilson is prioritized in the indexing hierarchy due to the first name and middle initial combination, making it the correct answer. The other options do not follow this order as closely, resulting in them being indexed later.

5. Which statement is true regarding capital expenditures?

- A. They are usually expensed in the current period**
- B. They represent an investment in long-term assets**
- C. They have no impact on future cash flows**
- D. They are incurred primarily for marketing purposes**

Capital expenditures are indeed characterized by their role as investments in long-term assets, such as property, plant, and equipment. When a company incurs capital expenditures, it is allocating resources towards acquiring or upgrading physical assets that will provide future economic benefits over multiple accounting periods. This concept contrasts with operational expenditures, which are typically expensed in the current period and relate to the day-to-day functions of a business. Additionally, capital expenditures are directly associated with generating future cash flows, rather than having no impact on them. This ability to generate future benefits underscores their classification as essential investments rather than purely marketing-related expenses. The focus on long-term benefits of capital expenditures makes the statement about them being investments in long-term assets accurate and aligns with fundamental accounting principles regarding asset management and financial planning.

6. Which financial metric helps assess the effectiveness of a company's capital structure?

- A. Gross profit margin**
- B. Debt-to-equity ratio**
- C. Current ratio**
- D. Net income**

The debt-to-equity ratio is a key financial metric that provides insight into a company's capital structure by comparing its total liabilities to its shareholders' equity. This ratio helps assess the level of financial leverage a company is utilizing. A higher debt-to-equity ratio may indicate that a company is relying more on borrowed funds to finance its operations, which could imply higher risk if the company struggles to meet its debt obligations. Conversely, a lower ratio suggests a more conservative approach to financing, indicating that a company has a larger proportion of its capital financed through equity rather than debt. A deep understanding of this ratio allows stakeholders to evaluate a company's risk profile, financial stability, and potential for growth. It can serve as an important indicator for investors and creditors when considering the overall health and sustainability of the business. Thus, the debt-to-equity ratio is the metric that specifically addresses how effectively a company manages its capital structure, balancing debt and equity to finance its operations.

7. What is a key benefit of using standard costs in accounting?

- A. They simplify tax calculations**
- B. They provide a basis for variance analysis and cost control**
- C. They eliminate the need for budgeting**
- D. They only apply to manufacturing companies**

Using standard costs in accounting offers a significant advantage by providing a basis for variance analysis and cost control. This approach helps organizations establish predetermined costs for producing goods or providing services, which in turn allows for comparison against actual costs incurred. When actual costs deviate from standard costs, variances can be analyzed to identify inefficiencies, areas for improvement, or issues in production processes. The ability to conduct variance analysis is crucial because it enables management to take corrective actions, set benchmarks, and control costs more effectively. This proactive measure can lead to enhanced operational efficiency and profitability. While standard costs can contribute to simplified processes in various ways, they do not inherently simplify tax calculations, eliminate the need for budgeting, or apply exclusively to manufacturing companies. Each of these aspects plays a role in the broader financial management context, but the key benefit lies in the establishment of a control mechanism that drives performance measurement and informed decision-making.

8. Which ethical principle involves providing benefit to the patient?

- A. Justice**
- B. Nonmaleficence**
- C. Beneficence**
- D. Autonomy**

The ethical principle that involves providing benefit to the patient is beneficence. Beneficence refers to the moral obligation to act for the benefit of others and to promote their well-being. In the context of healthcare, this means that medical professionals are required to take action that contributes positively to the health and welfare of patients. This principle is central to clinical ethics, guiding healthcare providers to not only avoid causing harm but also to actively seek to improve their patients' health outcomes. Justice relates to fairness and equality in the distribution of healthcare resources, while nonmaleficence focuses on the obligation to avoid causing harm. Autonomy emphasizes respecting a patient's right to make their own choices about their care. While all these principles are essential in healthcare ethics, beneficence is specifically about taking action to benefit patients, making it the key principle in this context.

9. Proximodistal growth and development progresses from which area?

- A. The edges inward**
- B. The center outward**
- C. The outside inward**
- D. Top to bottom**

Proximodistal growth and development refers to a pattern where growth occurs from the center of the body outward toward the extremities. This means that a developing individual will first gain control of movements in the core and central parts of the body, such as the torso and arms, before moving to the finer motor skills that involve the fingers and toes. Understanding this concept is crucial in fields such as developmental psychology and child development, as it highlights the progression of physical and motor skills in children. The pattern indicates that movement and mastery of skills will be achieved progressively from the areas closest to the body's center, moving outward to the more distal parts.

10. What does GAAP stand for in accounting?

- A. Generally Accepted Accounting Procedures**
- B. General Administration and Accounting Policies**
- C. Generally Accepted Accounting Principles**
- D. General Accounting and Auditing Practices**

GAAP stands for Generally Accepted Accounting Principles. This term encompasses the standard framework of guidelines for financial accounting, which includes the principles, standards, and procedures that companies must follow when compiling their financial statements. GAAP provides a consistent set of rules that ensure the transparency, reliability, and comparability of financial reporting, which is crucial for stakeholders, including investors and regulators. The principles encompassed by GAAP include aspects such as revenue recognition, balance sheet classification, and materiality which help promote consistency across the accounting profession. By adhering to GAAP, businesses can provide accurate representations of their financial position, which aids in effective decision-making and enhances the integrity of the financial markets. Other terms presented do not accurately capture the intention and scope of GAAP. They may refer to aspects of accounting practices or policies but do not define the comprehensive set of standards that GAAP entails.

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://cmagenandadministrative.examzify.com>

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