accountests MANAGEMENT ACCOUNTANT

Example Questions

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Example Question

You have completed a cashflow forecast for your fast expanding business, which shows a shortfall in available cash.

Which of these options will NOT assist in improving the situation?



1

Receivables factoring

Improving receivable collection policies

Entering in to a "fixed for floating" interest swap

Extended credit terms from suppliers

Just In Time inventory procurement policy

Answer

Entering in to a "fixed for floating" interest swap

Changes to cashflow from a swap will depend on the arrangement and current interest rates. The effect may be positive or negative in a particular period.



1

Receivables factoring

Improving receivable collection policies

Entering in to a "fixed for floating" interest swap

Extended credit terms from suppliers

Just In Time inventory procurement policy

Example Question

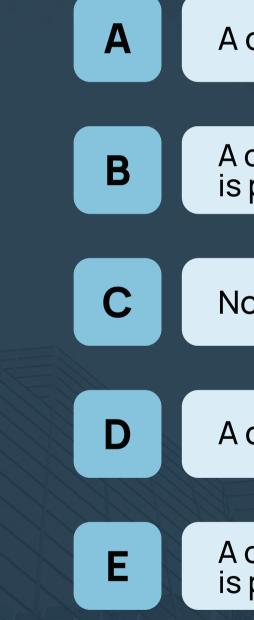
2

2

You have been asked to calculate the NPV for a proposed machinery purchase costing \$1.1m.

The existing machine, if not replaced, would require a major overhaul in 3 years which would cost \$200k.

In your analysis this overhaul cost of \$200k would be considered as...



A cash inflow in year 3

A cash inflow in the year the new machine is purchased

Not relevant for the analysis

A cash outflow in year 3

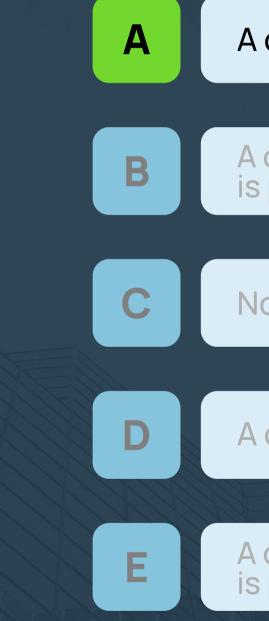
A cash outflow in the year the new machine is purchased

Answer

2

A cash inflow in year 3

Cost savings are treated as a cash inflow in the period they occur.



A cash inflow in year 3

A cash inflow in the year the new machine is purchased

Not relevant for the analysis

A cash outflow in year 3

A cash outflow in the year the new machine is purchased

Example Question

3

3

A DCF (discounted cash flow) analysis ignores which of these?

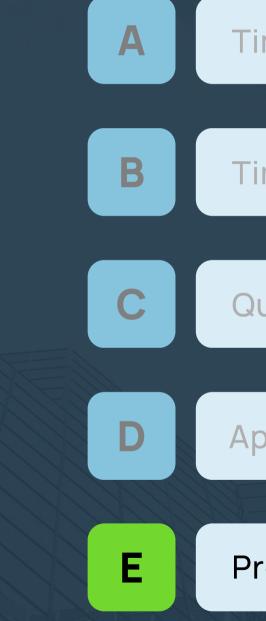
Time value of money Α В Timing of cashflows С Quantum of cashflows Appropriate discount rate for the entity D Ε Profits

Answer

3

Profits

A Discounted Cash Flow looks only at cashflows. Profits are not necessarily equivalent to cashflows



Time value of money

Timing of cashflows

Quantum of cashflows

Appropriate discount rate for the entity

Profits

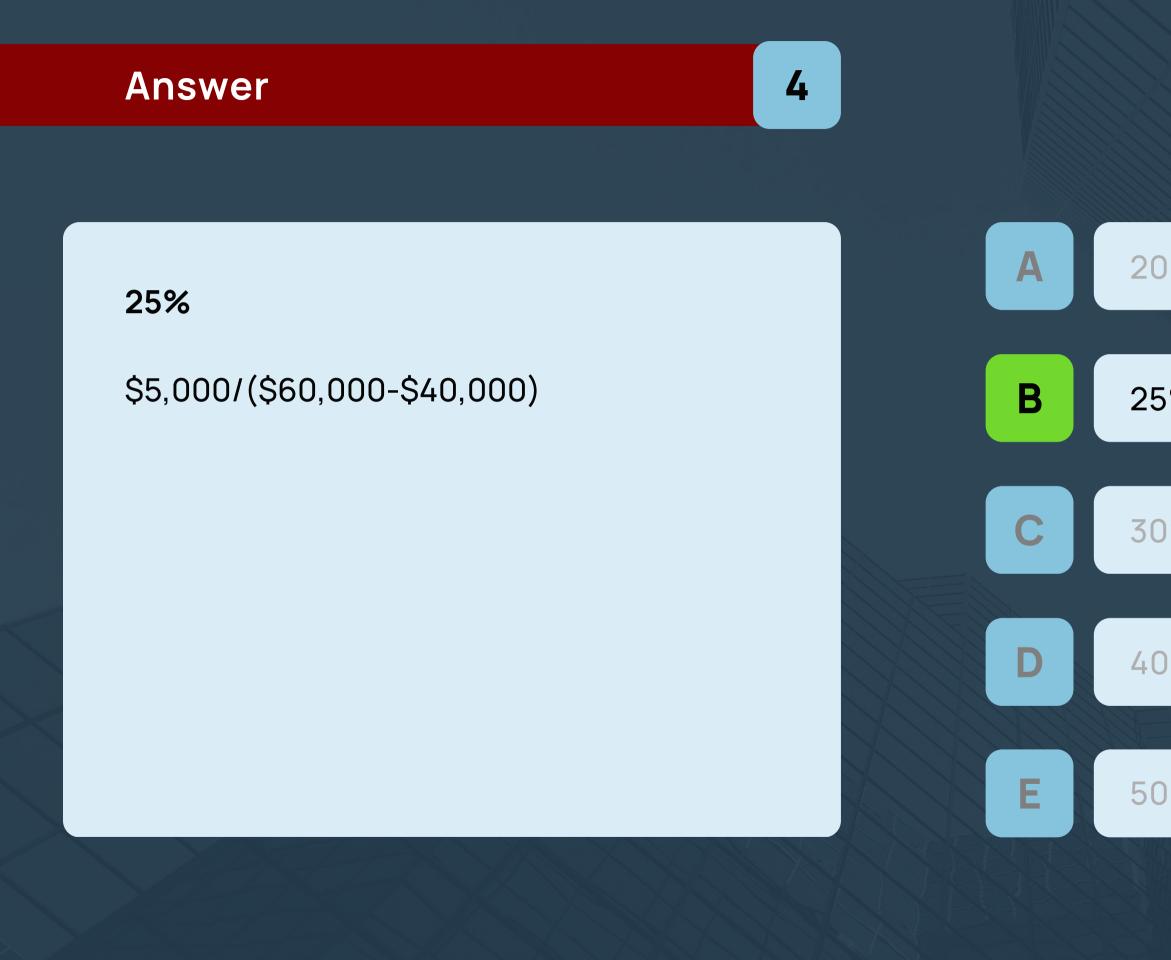
Example Question

4

When sales increase from \$40,000 to \$60,000 and then profit increases by \$5,000, the Profit / Volume (Contribution) Ratio is:



0%		
		2544
5%		
0%		
0%		
0%		



.0%		
25%		
0%		
.0%		
0%		

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