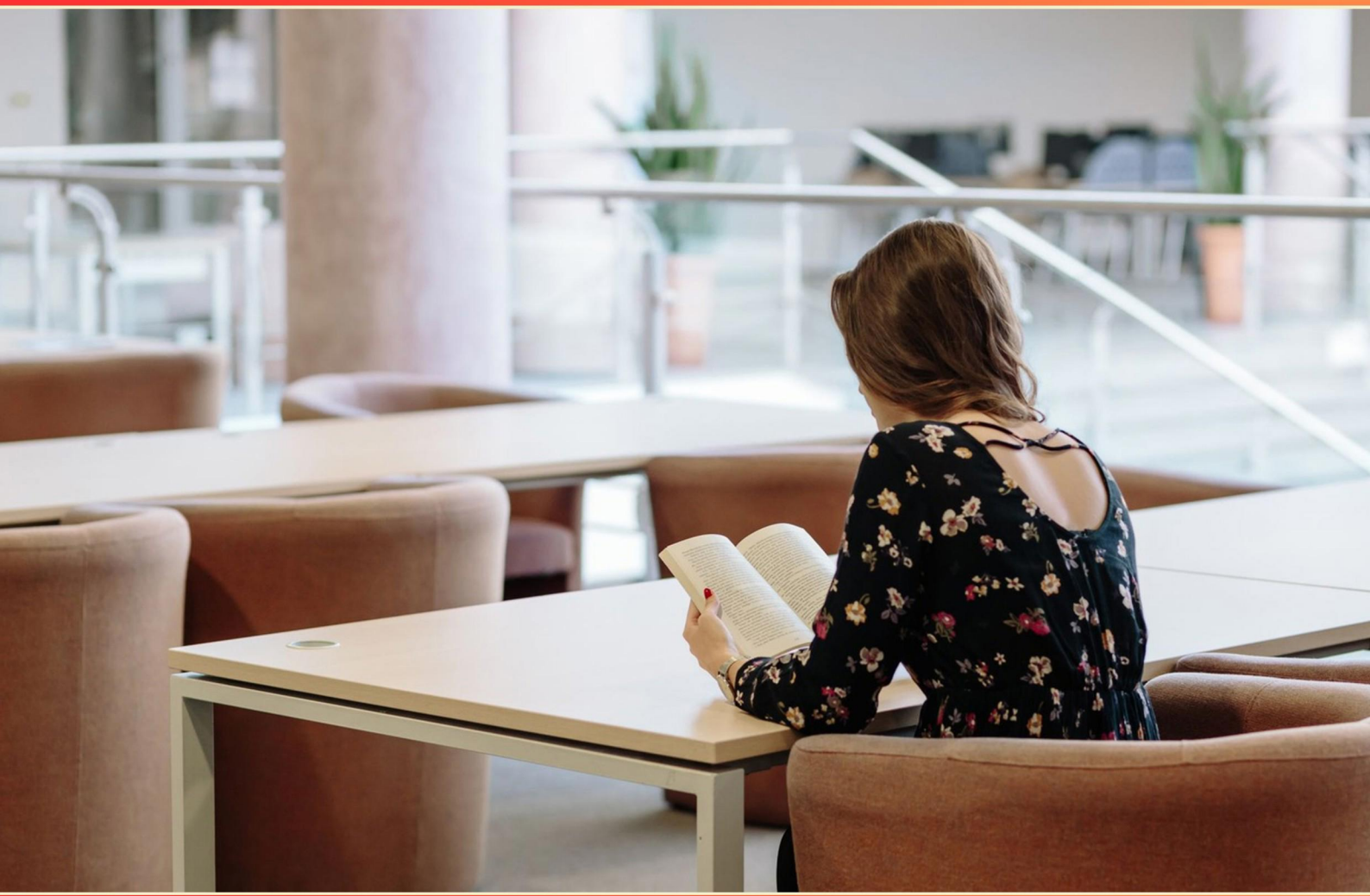
CIMA FUNDAMENTALS OF MANAGEMENT ACCOUNTING (BA2) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

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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.

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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!

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Questions

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1. Which is an assumption of breakeven analysis for short-term decisions?

A. Selling price per unit can change with output.

B. Selling price per unit, variable cost per unit, and total fixed costs are constant.

C. Fixed costs increase as output rises.

D. Variable costs are fixed over the short term.

2. Which of the 3 E's is about purchasing inputs of quality at minimum cost?

A. Efficiency

B. Economy

C. Effectiveness

D. Excellence

3. Which variance is based on actual units sold and standard price per unit?

A. Sales price variance

B. Sales volume variance

C. Material variance

D. Usage variance

4. Which concept describes interest calculated and paid on capital plus any interest earned up to that point?

A. Discounting (interest)

B. Present value

C. Adjustment factor

D. Compounding (interest)

5. What are budget variances?

A. The differences between the flexible budget figures and the actual results. Control involves comparing a flexible budget with actual results.

B. The differences between the master budget and the actual results.

C. The differences in prices between cost estimates and actual prices.

D. The difference between forecast revenue and realized revenue.

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6. The benefit which could have been earned but was given up by choosing the other option is called which cost?

A. Relevant cost

B. Incremental cost

C. Controllable cost

D. Opportunity cost

7. Which statement best describes activity-based costing (ABC)?

A. A method of allocating costs based on machine hours.

B. A budgeting technique using incremental budgets.

C. An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs.

D. A pricing technique based on demand.

8. The term for a system of accounting that segregates revenue and costs into areas of personal responsibility in order to monitor and assess the performance of each part of the organization is known as?

A. Responsibility centre

B. Responsibility accounting

C. Incremental cost

D. Controllable cost

9. Which variance specifically measures the difference between actual material usage and the standard quantity allowed for actual output, valued at the standard price?

A. Material price variance

B. Material cost variance

C. Material usage variance

D. Overhead variance

10. Which of the following describes imposed budgeting?

A. Budgets prepared with high involvement of budget holders

B. Budgets set by senior managers without involvement of budget holders

C. Budgets created by outside auditors

D. Budgets set by customer requirements

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Answers

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

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Explanations

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1. Which is an assumption of breakeven analysis for short-term decisions?

A. Selling price per unit can change with output.

B. Selling price per unit, variable cost per unit, and total fixed costs are constant.

C. Fixed costs increase as output rises.

D. Variable costs are fixed over the short term.

In short-term breakeven analysis, revenue per unit, variable cost per unit, and total fixed costs are assumed to be constant. This creates a linear relationship where total costs rise directly with output through variable costs, and contribution per unit (selling price minus variable cost) stays the same. With fixed costs constant, the break-even point can be calculated as fixed costs divided by the contribution per unit. That's why the correct choice states that selling price per unit, variable cost per unit, and total fixed costs are constant. If the price could change with output, or fixed costs rose with production, or variable costs behaved as fixed, the simple break-even calculation would no longer apply reliably.

2. Which of the 3 E's is about purchasing inputs of quality at minimum cost?

A. Efficiency

B. Economy

C. Effectiveness

D. Excellence

Economy focuses on acquiring inputs at the lowest possible cost while still meeting required quality. It's about cost control in purchasing—getting good quality materials or services without paying more than necessary. This differs from efficiency, which is about using resources wisely to produce more with less, and effectiveness, which is about achieving the desired outcome. So choosing inputs of quality at minimum cost is an example of economy in action.

3. Which variance is based on actual units sold and standard price per unit?

A. Sales price variance

B. Sales volume variance

C. Material variance

D. Usage variance

In standard costing, the variance that captures the effect of selling at a price per unit different from the standard price, for the actual number of units sold, is the sales price variance. It is calculated using actual units sold and the difference between the actual selling price and the standard price per unit. If the actual price is higher than the standard, the variance is favorable; if it's lower, it's unfavorable. This differs from the sales volume variance, which looks at how many units were sold compared with what was budgeted and uses the standard contribution per unit, not the price per unit. Material variances pertain to the costs of inputs into production, with usage variance focusing on how much material was actually used versus the standard quantity.

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4. Which concept describes interest calculated and paid on capital plus any interest earned up to that point?

A. Discounting (interest)

B. Present value

C. Adjustment factor

D. Compounding (interest)

Compounding occurs when interest is calculated on the original capital plus any interest that has already been earned. Each period, you earn interest on a larger amount because the previous interest adds to the principal. For example, 100 invested at 5% grows to 105 after one year, then to 110.25 after the second year, since the 5% in the second year applies to 105. This is often written as the amount = principal × (1 + rate)^time. This differs from simple interest, where interest is earned only on the original principal each period. It also differs from discounting or present value, which is about working backward to determine today's value of a future sum, rather than how money grows over time. The term adjustment factor isn't the standard description of this growth process. So the described idea—earning interest on the capital plus any previously earned interest—is compounding.

5. What are budget variances?

A. The differences between the flexible budget figures and the actual results. Control involves comparing a flexible budget with actual results.

B. The differences between the master budget and the actual results.

C. The differences in prices between cost estimates and actual prices.

D. The difference between forecast revenue and realized revenue.

Budget variances measure how actual results differ from what was planned, after adjusting for the actual level of activity through the flexible budget. This comparison isolates performance against the expected output, separating volume effects from performance effects. That's why the difference between the flexible budget figures and the actual results is the best description. The master budget is the original plan and doesn't adjust for actual activity, so it doesn't precisely capture variances in performance given the actual volume. Price differences or forecasts vs actuals describe specific components, but budget variances encompass the overall actual vs flexible budget comparison.

6. The benefit which could have been earned but was given up by choosing the other option is called which cost?

A. Relevant cost

B. Incremental cost

C. Controllable cost

D. Opportunity cost

When you decide between options, the value of the best alternative you give up by choosing the other is called the opportunity cost. It represents the foregone benefit you could have earned if you had chosen differently, and it helps you weigh decisions by looking at what you sacrifice, not just what you spend. This is not a cash outlay or an actual expense you incur. It's about the potential benefit you miss out on, which is why it's central to decision making. For example, if you use capacity to produce one product, the profit you would have earned from producing the other product is the opportunity cost of that choice. Other terms describe different ideas: relevant costs are future costs that differ between options, incremental costs are the additional costs of one option over another, and controllable costs are costs a manager can influence. They're useful for analysis, but they don't capture the foregone benefit itself.

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7. Which statement best describes activity-based costing (ABC)?

A. A method of allocating costs based on machine hours.

B. A budgeting technique using incremental budgets.

C. An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs.

D. A pricing technique based on demand.

Activity-based costing looks at the activities that drive costs and assigns costs based on actual use of those activities, rather than spreading overhead by a single driver like machine hours. You identify the activities involved in making products or delivering a service, accumulate their total costs into activity cost pools, choose cost drivers that cause those costs, and then apply an activity rate to how much of each driver each product uses. By summing the costs from all activities, you get the total product cost. This approach gives more accurate overhead allocations when different products consume activities at different intensities, and it helps with analyzing profitability and identifying process improvements. Allocating costs by machine hours is a more traditional, single-driver method; budgeting by incremental budgets is about planning amounts, not tracing costs; pricing based on demand is about setting price, not how costs are traced to products.

8. The term for a system of accounting that segregates revenue and costs into areas of personal responsibility in order to monitor and assess the performance of each part of the organization is known as?

A. Responsibility centre

B. Responsibility accounting

C. Incremental cost

D. Controllable cost

The idea here is about assigning financial results to the manager who controls a specific part of the business so that performance can be measured and managed. This approach is called responsibility accounting. It underpins the use of responsibility centres—units like cost centres, revenue centres, profit centres, or investment centres—so that each part's revenues and costs can be tracked, compared to budgets, and assessed for performance. Incremental cost is about the extra cost of a decision, and a controllable cost is one a manager can influence; neither describes the system of reporting and evaluating performance by area of responsibility.

9. Which variance specifically measures the difference between actual material usage and the standard quantity allowed for actual output, valued at the standard price?

A. Material price variance

B. Material cost variance

C. Material usage variance

D. Overhead variance

Material usage variance measures how much actual material used differs from the standard quantity that should have been used for the actual level of output, valued at the standard price per unit. It is calculated as (Actual quantity used − Standard quantity allowed for actual output) × Standard price. If more material is used than the standard allowance, the variance is unfavorable; if less is used, it's favorable. This contrasts with a material price variance, which looks at the difference between the actual price paid and the standard price, multiplied by actual quantity. The material cost variance is the total of the price and usage variances, and overhead variance relates to overheads, not direct material usage. For example, if you produced the actual output that required 200 kg at a standard price of $3 per kg but used 210 kg, the usage variance is (210 − 200) × 3 = $30 unfavorable.

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10. Which of the following describes imposed budgeting?

A. Budgets prepared with high involvement of budget holders

B. Budgets set by senior managers without involvement of budget holders

C. Budgets created by outside auditors

D. Budgets set by customer requirements

Imposed budgeting is a top-down approach where senior managers set the budget targets with little or no input from those who must achieve them. This ensures alignment with overall strategy and can speed up the budgeting process, but it may reduce buy-in and motivation among lower-level managers. The described scenario fits because the budget is determined by senior managers without the involvement of budget holders. It contrasts with participative budgeting, where budget holders contribute to targets, and with budgets driven by external auditors or customer requirements, which involve different sources of input.

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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://cimaba2.examzify.com

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

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