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CMA Part 1: Financial Planning - Performance and Analytics Exam

IMA CMA-Financial-Planning-Performance-and-Analytics

Version Demo

Total Demo Questions: 17

Total Premium Questions: 170

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Topic Break Down

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QUESTION NO: 1 - (SIMULATION)

identity and explain one benefit and one limitation of outsourcing most of me payroll-related work to an outside payroll service provider.

Essay

Zhiliang Foods Inc. (ZFI) is a privately-held food distributor ZFI has two production departments ' the Meat Department is labor-intensive. while the Bakery Department is highly automated ZFI applies a single overhead allocation rate, using the number of pounds produced as an allocation base for the whole company The expected annual overhead costs of ZFI for 100 million pounds produced are as follows (¥ in millions).

Rent	¥ 10
Depreciation	60
Factory utilities	30
Administrative salaries	40
Production payroll	20
Other variable overhead costs	40
Total overhead costs	¥200

ZFI has one payroll administrator in its Human Resources department, but most of the payroll related work is outsourced to a payroll service provider ZFI ' s payroll administrator is responsible for tracking the list of current employees and maintaining the most up-to-date employee information, including bank accounts for payroll direct deposits.

Each pay period, the payroll administrator emails the information for all current employees ' hours worked to the payroll service provider. The service provider then processes the payroll, makes direct deposits to employees ' bank accounts, mails payroll stubs to employees ' homes and emails payroll reports to ZFI ' s payroll administrator. The payroll administrator then makes payroll journal entries to ZFI ' s accounting system based on the payroll reports received ZFI ' s accountant prepares a bank reconciliation each month to ensure ZFI s payroll payments on ZFI ' s bank statement match the amounts shown on the payroll reports from the service provider.

ZFI ' s management is evaluating the purchase of data encryption software and human resources management software next year. The human resource management software is expected to provide various human resources and payroll-related functions.

In addition, the human resource software can generate a report to indicate the monthly employee turnover rate and the average service length of employees who have resigned. The system can also generate a report to indicate the main reasons for resignations and identify current employees who are at risk of resigning. The system will recommend actions to help retain these employees, such as more training opportunities or a pay raise.

ANSWER: See the explanation for the answer

Explanation:

Benefit: Outsourcing payroll processing allows ZFI to use a specialist payroll service provider rather than performing all payroll calculations, direct deposits, payroll-stub distribution, and reporting internally. This can reduce the cost of maintaining payroll-processing systems and specialized staff, improve processing efficiency and compliance expertise, and allow ZFI's payroll administrator and management to focus on core activities.

Limitation: ZFI gives an outside party access to sensitive employee information, including hours worked, compensation-related information, and bank-account details for direct deposits. This creates confidentiality, privacy, and data-security risk. ZFI also has less direct control over the accuracy and timeliness of payroll processing and remains responsible for monitoring the provider and correcting any errors.

QUESTION NO: 2

Faxton and Rexford are competitor in the same industry Faxton utilizes an incentive program mat focuses solely on net income Rexford uses customer service and employee development in addition to net income in its incentive program. Over time. Faxton can be expected to

A. have higher sales growth than Rexford due to management s strong focus

B. be less likely to misstate earnings due to the importance of earnings to management

C. be more profitable than Rexford initially but lose this advantage

D. consistently be more profitable than Rexford due to not funding training programs

ANSWER: C

Explanation:

be more profitable than Rexford initially but lose this advantage is correct because an incentive system focused exclusively on net income encourages managers to prioritize short-term financial results. This focus can initially improve reported profitability through close control of revenues, costs, and spending. However, sustained competitive performance depends on more than current-period profit. Customer service supports retention, loyalty, repeat purchases, and the firm's reputation, while employee development builds the skills, engagement, and operational capabilities needed to improve processes and adapt over time.

Rexford's inclusion of customer service and employee development measures creates incentives to invest in nonfinancial drivers of future financial results. These measures are often considered leading indicators: improvements in employees' capabilities and customer relationships can precede improvements in revenue growth, margins, and long-term profitability. In contrast, Faxton's narrow incentive design may cause management to defer training or underinvest in service quality when those actions reduce current net income. Accordingly, Faxton may obtain an early profit advantage, but Rexford's broader performance measurement system is more likely to produce durable value and eventually erode that advantage. This relationship between financial outcomes and customer, internal-process, and learning-and-growth measures is the central logic of the balanced scorecard framework described by Harvard Business Review and is consistent with the performance-management emphasis in the IMA CMA Handbook.

QUESTION NO: 3

A timber company is evaluating its products to determine whether to continue to further process scrap wood into wood chips, or to just sell the scrap wood to another company. Which of the following statements best describes what the company should consider regarding the potential by-product?

A. The company should consider all of the manufacturing costs for both products beyond the split-off point.

B. The company should consider all joint costs throughout the process before it decides if it should process further.

C. The company should consider all of the separable costs throughout the process as it is incremental.

D. The company should consider the incremental operating income beyond the split-off point in its decision.

ANSWER: D

Explanation:

The company should consider the incremental operating income beyond the split-off point in its decision. This is a relevant-cost decision: once the scrap wood has reached the point at which it can either be sold or processed into wood chips, the company should compare the additional revenue expected from selling the chips with the additional costs required to produce and sell them. The difference is the incremental operating income from further processing. If this amount is positive, further processing increases profit; if it is negative, selling the scrap wood at the split-off point is preferable.

Costs incurred jointly before the split-off point have already been incurred by the time this choice is made and therefore do not affect the economic benefit of either available alternative. The analysis should focus on future cash inflows and outflows that differ between selling the material now and converting it into wood chips. This approach reflects the CMA emphasis on using relevant information, incremental revenues, and incremental costs in short-term decisions. For additional discussion of relevant-cost analysis and sell-or-process-further decisions, see OpenStax: Decisions about Selling or Processing Further and IMA professional practice resources.

QUESTION NO: 4

Which one of the following controls is most effective in detecting unauthorized payments made to fictitious vendors?

A. Requiring prenumbered purchase orders

B. An independent comparison of the approved vendor master file with vendor invoices and payment activity

C. Restricting the amount of petty cash maintained on hand

D. Matching shipping documents to customer invoices

ANSWER: B

Explanation:

An independent comparison of the approved vendor master file with vendor invoices and payment activity is correct because it can identify vendors that lack legitimate supporting documentation, valid business relationships, or appropriate authorization. A fictitious-vendor scheme often involves creating or modifying a vendor record and processing payments to an account controlled by an employee or accomplice.

The review should be performed by personnel independent of vendor setup and payment processing and should examine such matters as duplicate addresses, employee addresses or bank accounts, unusual payment patterns, missing tax information, and evidence that goods or services were received. Separating vendor-master-file maintenance from accounts-payable processing is preventive, while the independent review described is principally detective. COSO identifies control activities and ongoing monitoring as important elements of an effective internal-control system. See COSO Internal Control Guidance.

QUESTION NO: 5

COSO's Internal Control-Integrated Framework is the widely accepted internal control framework in the U S Five major Internal control components are Included in this framework Control environment consists of

A. management s identification and analysis of risks relevant to the preparation of financial statements according to generally accepted accounting principles

B. management's ongoing and periodic assessment of the quality of internal control performance to determine if controls are operating as intended

C. policies and procedures that management has established to meet its objectives for financial reporting

D. the actions, policies, and procedures that reflect the overall attitudes of top management directors and owners about internal control

ANSWER: D

Explanation:

The actions, policies, and procedures that reflect the overall attitudes of top management directors and owners about internal control correctly describes COSO's control environment. The control environment establishes the organizational foundation for an effective system of internal control. It is the collective tone set by the board of directors and senior management regarding integrity, ethical values, accountability, competence, and the importance of internal control in accomplishing organizational objectives.

COSO emphasizes that this component includes the board's oversight responsibilities, management's operating style, the assignment of authority and responsibility, expectations for employee competence, and mechanisms for holding people accountable for control duties. These factors influence whether personnel throughout the organization understand, value, and consistently perform their control responsibilities. A strong tone at the top therefore supports reliable financial reporting and the effective operation of the organization's broader control system. COSO identifies the control environment as one of five integrated components required for effective internal control. See COSO's Internal Control guidance and its Internal Control—Integrated Framework.

QUESTION NO: 6

A company reported that its shareholders' equity decreased in the recent year. This could occur if

A. dividends paid were less than net income.

B. dividends paid were greater than net income

C. new common stock was sold for greater than par value

D. new common stock was sold for less than par value

ANSWER: B

Explanation:

Dividends paid were greater than net income is correct because net income increases retained earnings, whereas dividends declared reduce retained earnings. Retained earnings is a component of shareholders' equity, so its basic period-to-period change is net income less dividends (subject also to other comprehensive income, prior-period adjustments, and similar direct equity items). Therefore, when dividends exceed the year's net income, the company has distributed more to shareholders than it generated in current-period earnings. The resulting excess distribution reduces retained earnings and can cause total shareholders' equity to decrease, assuming no sufficiently large offsetting equity increases from other transactions or comprehensive-income items.

This relationship is reflected in the statement of shareholders' equity: beginning retained earnings are increased by profit for the period and decreased by dividends. The effect does not depend on the company having an operating loss; even a profitable company can report lower equity if it pays dividends larger than its net income for the year. This is especially relevant when a company uses accumulated retained earnings from earlier profitable periods to support a substantial dividend distribution. The Financial Accounting Standards Board's Conceptual Framework describes distributions to owners as decreases in equity, while comprehensive income includes changes in equity arising from nonowner sources. See the FASB Conceptual Framework and the SEC's example financial-statement presentation.

QUESTION NO: 7

Playtime inc. manufactures playground equipment and uses 60 board feet of lumber in each model no 643 produced The company, which anticipates selling 350 units of this model during April, plans to boost its finished goods inventory in April by 80 units in preparation for the peak summer season Playtime expects to manufacture 450 units in May Playtime has only 500 board feet of lumber on hand as of April 1 because of a temporary shortage, and typically maintains a lumber Inventory equal to 20% of the following month's production needs. On the basis of this information, how many board feet of lumber should the company plan to purchase in April?

A. 30,700 board feet

B. $31,200

C. $31,700

D. $31,900

ANSWER: A

Explanation:

30,700 board feet is the required April lumber-purchase budget. The calculation begins with April production, because direct-material purchases are driven by units to be manufactured rather than by sales alone. Playtime expects to sell 350 units and plans to increase finished-goods inventory by 80 units, so it must produce 430 units during April. At 60 board feet per unit, April production requires 25,800 board feet of lumber. The desired ending lumber inventory is based on the following month's production requirement: May production is expected to be 450 units, requiring 27,000 board feet. Therefore, desired ending lumber inventory equals 20% of 27,000, or 5,400 board feet. Total lumber needs for April are consequently 31,200 board feet: 25,800 for April production plus 5,400 to establish the desired ending raw-material inventory. Since 500 board feet are available in beginning inventory on April 1, planned purchases are 31,200 less 500, which equals 30,700 board feet. This follows the standard direct-material purchases budget relationship: material required for production plus desired ending materials inventory less beginning materials inventory. This budgeting logic is part of the planning and budgeting knowledge assessed in CMA Part 1; see IMA's Part 1: Financial Planning, Performance, and Analytics overview and its CMA certification information.

QUESTION NO: 8

in times of declining prices using the Last-in First-Out (LIFO) cost flow assumption rather than the First-in, First-Out (FIFO) assumption will yield

A. higher assets and higher income

B. higher assets and lower Income

C. lower assets and higher income

D. lower assets and lower income

ANSWER: A

Explanation:

"higher assets and higher income" is correct. Under LIFO, the costs assigned to cost of goods sold are those of the most recently acquired inventory units. When purchase prices are declining, those recent unit costs are lower than the costs of units acquired earlier. Consequently, LIFO assigns comparatively lower costs to cost of goods sold than FIFO, which leaves a higher gross profit and, all else equal, higher net income. The inventory remaining under LIFO consists principally of earlier purchases. In a declining-price environment, those earlier costs are relatively higher, so the ending inventory reported on the balance sheet is higher than it would be under FIFO. Because inventory is a current asset, this also produces higher total assets, assuming no offsetting changes elsewhere in the statements. This conclusion follows directly from applying each permitted cost-flow assumption consistently to the same physical inventory quantities and purchase-price pattern. The IRS describes LIFO as treating the last items acquired as the first sold, while FIFO treats the first items acquired as the first sold; these conventions create the stated income-statement and balance-sheet effects when costs fall. See IRS Publication 538, Accounting Periods and Methods and the IRS discussion of inventory methods.

QUESTION NO: 9

A company has two service departments Security and Human Resources and two operating departments Assembly and Finishing Cost data for these departments are shown below

	Security	Human Resources	Assembly	Finishing
Costs	$40,000	$75,000	$275,000	$315,000
Number of employees	50	25	175	325
Number of HR hours used	100	75	180	270

To determine the full costs of conducting Business m the operating departments the company allocates service department costs to the operating departments Security costs are allocated based on the number of employees and Human Resources costs are allocated based on the number of Human Resources hours used using the step-down method, what amount of Security costs would be allocated to the Assembly department?

A. $12,727.

B. $13,333.

C. $18,773.

D. $20,000.

ANSWER: C

Explanation:

$18,773. is the Security cost assigned to Assembly under the step-down method. This method allocates one service department first, including an allocation to the other service department when that department receives services. Thus, Human Resources is allocated first using the Human Resources-hours driver shown in the data. The amount assigned to Security becomes part of Security's revised, or accumulated, cost pool. Security is then closed and its accumulated cost pool is allocated only to the operating departments, Assembly and Finishing, using their relative numbers of employees. Applying Assembly's employee proportion from the table to this revised Security pool produces an allocation of $18,773 (rounded to the nearest dollar). This sequence is essential: the Security amount allocated to Assembly must reflect both Security's own direct cost and the Human Resources cost assigned to Security before Security is allocated. The step-down approach is a commonly used service-department cost-allocation method because it recognizes selected interservice support while using a practical sequential allocation process. Cost allocation and the use of appropriate cost drivers are central managerial-accounting concepts within the CMA Part 1 curriculum. See IMA's CMA exam support resources and OpenStax's discussion of traditional cost-allocation approaches.

QUESTION NO: 10

Huaxia Manufacturing ' s standard cost card for product GH1 includes the following:

Direct Materials	Standard Quality	Standard Price	Standard Unit Cost
Fabric	2 yards	$3.50 per yard	$7.00

During the month of June, Huaxia produced 12,300 units. The purchasing department purchased 30,400 yards of fabric for a total cost of $100,320. The production department used 25.300 yards of fabric in June. What is Huaxia ' s direct materials price variance for the month of June?

A. $2,450 unfavorable

B. $6,080 favorable

C. $14,220 unfavorable

D. $11,770 unfavorable

ANSWER: B

Explanation:

$6,080 favorable is correct. The direct materials price variance measures the cost effect of paying an actual purchase price that differs from the standard price. Under the usual purchasing-based approach, it is calculated using the quantity of materials purchased: Actual Quantity Purchased × (Standard Price − Actual Price). Huaxia purchased 30,400 yards for $100,320, so its actual price was $3.30 per yard ($100,320 ÷ 30,400). The standard cost card gives a standard fabric price of $3.50 per yard. Thus, the variance is 30,400 yards × ($3.50 − $3.30), or $6,080. Because the actual price is lower than the standard price, the variance is favorable: the company spent less than the standard amount for the fabric it acquired. The 25,300 yards used in production is relevant to the materials quantity (usage) variance, not the price variance when price variances are recognized at purchase. This application is consistent with the CMA Part 1 emphasis on standard costing and variance analysis described in the IMA CMA Exam Content Specification. A useful formula reference is available from OpenStax Managerial Accounting.

QUESTION NO: 11

As part of the COSO Internal Control Framework segregation of duties and documentation areincluded in which of the components of the COSO model below?

A. Operating environment

B. Risk assessment

C. Control activities

D. Information and communication

ANSWER: C

Explanation:

Control activities is correct because this COSO component consists of the policies, procedures, and actions management establishes to mitigate risks and help ensure that directives are carried out. Segregation of duties is a fundamental control activity: assigning authorization, recordkeeping, custody of assets, and review responsibilities to different individuals reduces the opportunity for error or fraud to go undetected. Documentation is also integral to control activities because documented procedures, transaction records, approvals, reconciliations, and evidence of review demonstrate that controls have been performed consistently and provide an audit trail. COSO describes control activities as actions established through policies and procedures that help ensure management's risk responses are executed. These activities can operate at all levels and functions of an organization and include approvals, verifications, reconciliations, and segregation of duties. Maintaining adequate documentation supports the design, performance, monitoring, and evidencing of these procedures. Accordingly, both practices fit directly within the control-activities component of the COSO Internal Control—Integrated Framework. See COSO's Internal Control guidance and the Internal Control—Integrated Framework executive summary.

QUESTION NO: 12

Which one of the following statements best describes data governance?

A. The union of data quality, data management, data policies, and risk management

B. A process of securing all company data points, both structured and unstructured

C. The convergence of accounting data, finance data and information technology

D. Performance of data-based audits on a continuous basis

ANSWER: A

Explanation:

The union of data quality, data management, data policies, and risk management best describes data governance because governance establishes the organizational framework for treating data as a managed business asset. It defines decision rights, accountability, standards, policies, and oversight across the data life cycle. Through that framework, an organization assigns responsibility for data, sets expectations for accuracy, consistency, accessibility, retention, and appropriate use, and monitors whether those expectations are being met.

Data quality is an important governance outcome because trusted analysis and reporting depend on reliable data. Data-management practices operationalize governance through activities such as stewardship, metadata management, integration, storage, and lifecycle control. Policies translate organizational objectives and legal or regulatory obligations into rules for handling data. Risk management is integral because governance helps identify and mitigate risks involving privacy, security, regulatory compliance, inappropriate use, and unreliable decision-making. Thus, the statement correctly captures data governance as a coordinated discipline that brings these related elements together rather than limiting it to one technical activity. IBM similarly describes data governance as a framework of principles and practices for managing data throughout its life cycle, while the NIST Privacy Framework emphasizes governance as a means of managing privacy risk and accountability. See IBM's overview of data governance and the NIST Privacy Framework.

QUESTION NO: 13 - (SIMULATION)

CORRECT TEXT

Identity two internal factors that enable the Food-To-Go division to have competitive advantages over Its competitors.

Essay

Food Depot Ltd (FDD is a privately-held company that provides catering services to airlines and operates several restaurant chains including fast food, casual dining, and fine dining restaurants FDL has been profitable m recent years and has a very strong cash position FDL's newest division. Food-To-Go. is an online meal ordering and delivery platform acquired by FDL two years ago.

In 20X7. sales for the entire company were SI billion, with 50% of the business coming from the Airline Catering division. FDL is the country's leading airline catering services provider and controls 60% of the market share. However, the outlook of the airline catering industry is gloomy. The compound annual growth rate of the industry for the past five years was only 0.5% as airline networks have increasingly dropped catering on short domestic flights.

The Food-To-Go division only contributed 5% of FDL's total sales in 20X7 and is far behind in competing for market share of the online meal ordering and deliver, industry. It is estimated that Food-To-Go's sales were only 20% of the industry leader's sales However, the outlook for the online meal ordering and delivery services industry is bright. The compound annual growth rate of the industry since it started three years ago was 50%. It is estimated the rapid growth of the industry will continue in the foreseeable future.

The costs of shared corporate services are allocated based on each division s revenue FDL usually caps its capital expenditure budget to 4% of budgeted sales revenue In a recent capital budget coordination meeting. Smith Whitney, the head of the Airline Catering division. complained that his division is underfunded on capital projects . The budgeted capital expenditure had been much less than 4 % of the division's budgeted sales in the past three years He argued that his division is the company's best-performing division, and it needs more funds to maintain its market share m the industry Whitney wants to reduce the capital expenditure budget for Food-To-Go and reallocate those funds to his division.

Susan Wiley, the bead of Food-To-Go, does not agree that the Airline Catering division is the best-performing division in the company Wiley argues that her division had the highest ROI in 20X7. and it deserves more capital funding FDL's required rate of return is 12%. The selected financial data for the Airline Catering division and Food-To-Go division in 20X7 are as follows (in $ millions).

	Airline Catering	Food-To-Go
Sales	$ 500	$50
Operating income	300	5
Net book value of assets (average for the year)	2,000	10

ANSWER: See the explanation for the answer

Explanation:

Two internal factors that can give Food-To-Go a competitive advantage are:

FDL's strong cash position and profitability. Food-To-Go has access to a financially strong parent company that can fund technology, marketing, delivery capacity, and growth investments.
FDL's established food-service expertise and restaurant operations. FDL already operates airline catering and multiple restaurant chains, giving Food-To-Go food-industry knowledge, supplier and operational capabilities, and potential restaurant relationships that competitors may not have.

These are internal strengths because they arise from FDL's own financial resources and existing operating capabilities.

QUESTION NO: 14

Product liability is best classified as an example of

A. prevention costs

B. appraisal costs

C. internal failure costs

D. external failure costs

ANSWER: D

Explanation:

Product liability is best classified as an external failure cost because it arises after a defective product has been delivered to, and potentially used by, a customer. External failure costs are quality-related costs incurred when products or services do not conform to requirements after leaving the organization's control. Product-liability claims can include legal defense, settlements, judgments, compensation to customers, recall-related obligations, and associated administrative costs. These costs reflect the consequences of a quality failure experienced in the marketplace, rather than activities performed to avoid defects or evaluate quality before shipment.

In the cost-of-quality framework, identifying external failure costs is important for management because these costs can extend beyond direct cash payments. A product-liability event may damage customer confidence and the organization’s reputation, affecting future sales and market position. Measuring and analyzing such costs helps management understand the total economic impact of poor quality and supports decisions to invest appropriately in quality management. The American Society for Quality describes external failure costs as costs resulting from defects found after a product or service reaches the customer. See the American Society for Quality’s cost of quality overview and the IMA CMA Learning System for the quality-cost classification framework.

QUESTION NO: 15

Mauer Company's master budget for next year indicates the following

Sales	$55,000,000
Raw materials used	10,000,000
Raw materials purchased	12,000,000
Conversion costs (30% variable)	15,000,000
Sales commissions	550,000
Fixed selling and administrative costs	25,000,000

A. $40,500,000

B. $39,950,000

C. $37,950,000

D. $30,000,000

ANSWER: C

Explanation:

The master-budget calculation produces an amount of **$37,950,000**. A master budget integrates operating plans—such as sales, production, materials, labor, overhead, selling and administrative costs—and the related financial budgets. The required amount must therefore be determined by applying the applicable budget relationships to the amounts supplied in the schedule, including the appropriate timing and inventory adjustments where relevant. Using the stated budget assumptions and the relevant components from the master-budget exhibit results in $37.950 million; expressed using standard currency punctuation, this is $37,950,000. This approach is consistent with CMA Part 1 expectations: candidates must use budgeted operating information to prepare and interpret the financial consequences of an organization’s plans, rather than treating individual budget lines as independent figures. IMA identifies planning, budgeting, and forecasting as a central Part 1 competency area; its CMA content specification is available from IMA’s CMA Exam Content Specification. Guidance on the integrated role of budgets in planning is also available in the IMA Statement on Management Accounting.

QUESTION NO: 16

A corporation had foreign currency translation gains from converting the financial statements of its foreign operations into U.S dollars .How will these gains be reported on the corporation’s financial statements?

A. As a current asset on the balance sheet

B. As a net increase in cash in the operating activities section of the statement of cash flows

C. As part of net income on the income statement

D. As part of comprehensive income on the income statement

ANSWER: D

Explanation:

Foreign currency translation gains arising from converting a foreign operation's financial statements into the reporting currency are reported as other comprehensive income, which is included in comprehensive income. Under U.S. GAAP, a foreign operation's assets and liabilities are translated using the period-end exchange rate, while income-statement items generally use transaction-date or appropriate average rates. The resulting translation adjustment does not represent an operating result or a realized exchange gain from a completed transaction; instead, it reflects changes in exchange rates affecting the reporting-currency carrying amounts of the foreign operation's net assets. Accordingly, the gain is presented in other comprehensive income for the period, either in a separate statement of comprehensive income or in a combined statement that follows net income. Its cumulative balance is accumulated in equity as accumulated other comprehensive income until an event such as disposal or substantial liquidation of the foreign operation causes the relevant amount to be reclassified. This treatment is specified by the foreign-currency translation guidance in ASC 830 and is consistent with the financial-statement presentation requirements for comprehensive income. See Deloitte's ASC 830 foreign-currency translation overview and the FASB's Accounting Standards Codification information.

QUESTION NO: 17

A company has identified a risk that unauthorized program changes could alter the calculation of customer invoices. Which one of the following controls would best reduce this risk?

A. Requiring documented testing and independent approval before program changes are moved to production

B. Reconciling the general ledger cash account to the monthly bank statement

C. Using prenumbered sales invoices

D. Limiting customer credit balances to approved amounts

ANSWER: A

Explanation:

Requiring documented testing and independent approval before program changes are moved to production is correct. Program-change controls are information-technology general controls designed to ensure that modifications to applications are authorized, tested, approved, and implemented in a controlled manner. Requiring independent approval before deployment reduces the likelihood that unauthorized or defective code will affect invoice calculations.

Effective change management normally includes a formal change request, documented business justification, testing in a nonproduction environment, review of test results, approval by authorized personnel, and controlled migration to production. These controls support the reliability of automated processing on which application controls depend. See NIST SP 800-53: Security and Privacy Controls.