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## Question 1

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**Question Type:** MultipleChoice

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Which of the following definitions best describes Zero based budgeting?

### Options:

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- A-** A method of budgeting where an attempt is made to make the expenditure under each cost heading as close to zero as possible
- B-** A method of budgeting whereby all activities are re-evaluated each time a budget is formulated
- C-** A method of budgeting where the sum of revenues and expenditures in each budget centre must equal zero
- D-** A method of budgeting whereby every item of expenditure does not have to be justified before its inclusion in the budget

### Answer:

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B

## Question 2

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**Question Type:** MultipleChoice

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Which of the following is the correct definition is an annuity:

**Options:**

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- A-** A chain of regular cash flows up to a certain period of time.
- B-** A series of cash outflows which goes on forever.
- C-** A set of regular payments of increasing value.

**Answer:**

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A

## Question 3

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**Question Type: MultipleChoice**

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You are put in charge of a new, independent factory. The products you produce are cheap to produce but the profit margin is small. Maintaining low costs and maximum efficiency is key.

You are concerned that certain parts of the production line are producing excess waste and damaging profits.

Which type of cost centre would be most useful in this situation?

**Options:**

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A- Activity

B- Function

C- Equipment

D- Service location

**Answer:**

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A

## Question 4

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**Question Type:** MultipleChoice

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Which of the following may result in a favourable material price variance? (Select ALL that apply.)

**Options:**

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- A- Material price decrease
- B- Discounted products
- C- Efficient purchasing
- D- Inflation of prices
- E- Inefficient purchasing

**Answer:**

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A, B, C

## Question 5

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**Question Type:** MultipleChoice

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A tomato producer is investigating the correlation between the height of his plants and the size of the tomatoes. He has tallied up his height results and produced this table.

Height (cm)	Tally
$10 < x < 20$	
$20 < x < 30$	
$30 < x < 40$	
$40 < x < 50$	
$50 < x < 70$	
$70 < x < 100$	

Using the information provided, find the median and modal class and correctly select these answers from the list.

**Options:**

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- A- Median =  $30 < x < 40$
- B- Modal class =  $30 < x < 40$
- C- Median =  $40 < x < 50$
- D- Modal class =  $40 > x > 50$

**Answer:**

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A, B

## Question 6

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**Question Type:** MultipleChoice

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Which of the following are not advantages of Absorption costing? (Select ALL that apply.)

### Options:

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- A-** The key benefit of absorption costing is that it recognises both fixed and variable overheads are necessary for production to occur.
- B-** The key benefit of absorption costing is that it cannot be manipulated by production changes.
- C-** The key benefit of absorption is that it helps management in making short term decisions.

### Answer:

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B, C

## Question 7

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**Question Type:** MultipleChoice

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When compiling profit statement using a marginal costing system we must calculate the contribution. Once we have the contribution, we must deduct a specific amount to calculate the profit. Which of these values should we NOT deduct? (Select ALL that apply.)

**Options:**

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A- Fixed costs

B- Selling price

C- Cost of goods sold

**Answer:**

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B, C

## Question 8

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**Question Type: MultipleChoice**

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Johnson & Smith is a huge corporation with many different departments covering hundreds of activities. They had switched to this new budgeting technique as it seemed as though it would help them allocate their limited funds better.

It was successful to some extent as each manager was required to look at every cost his department accrued. They would then be responsible for coming up with new ways of performing these activities.



It became obvious that certain managers were unable to handle these paperwork intensive demands and so the company will be reverting back to a system that focuses primarily on cost drivers next year.

What budgeting technique will they be using next year?

**Options:**

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- A- Activity Based Budgeting
- B- Zero Based Budgeting
- C- Incremental Budgeting

**Answer:**

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A

## Question 9

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**Question Type: MultipleChoice**

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A manufacturing company uses an absorption based costing system. At the start of the period they planned to make 30,000 units at a selling price of 900 per unit

Fixed overheads were expected to be 900,000. The variable cost per unit is 300.

At the end of the period actual overheads were 858,000, and 33,000 units were produced, of which 32,000 were sold.

Which of the following statements are TRUE? Select ALL that apply.

### Options:

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- A- The fixed overhead absorption rate is 30 per unit.
- B- The fixed overhead absorption rate is 26.00 per unit.
- C- Overheads were under-absorbed by 2,000.
- D- Overheads were over-absorbed by 132,000.
- E- The Gross Profit was 18,240,000.
- F, The Gross Profit was 19,200,000.
- G- The Net Profit was 18,372,000.
- H- The Net Profit was 18,342,000.

### Answer:

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A, D, E, G

## Question 10

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**Question Type:** MultipleChoice

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During the first financial period of this year a company posted profit of 340,000. However, their overheads were over absorbed by 20,000 in this period. As a result they tried to update their absorption rate for the current period and as such they ended up under absorbing their overheads by 12,000.

They have also reported a sales volume increase of 550 when comparing this period to last.

You have been given the following information on unit cost/prices:

Selling price = 95 per unit

Variable production cost per unit = 15

Variable selling cost per unit = 18

Fixed overhead per unit = 8

They have asked you to reconcile their profit between periods.

Based on the information you have been given, what is their profit for the current period?

**Options:**

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A- 337,700

B- 349,700

C- 357,700

D- 369,700

**Answer:**

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A

## Question 11

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**Question Type:** MultipleChoice

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How does Beyond budgeting help to resolve the weaknesses of traditional budgeting? (Select ALL that apply.)

**Options:**

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A- Managers are set goals and targets to achieve rather than abiding by strict budgets and variances.

B- Managers have a much larger scope of business goals that, when achieved, will increase shareholder value.

C- Managers are given more freedom and control over their business units under Beyond budgeting.

- D- Managers focus on keeping costs low in the short term to ensure maximised profits.
- E- Managers are given incentives to meet or undercut budgets.
- F- Managers are encouraged to designate responsibility to others to lessen their workload so they may concentrate on important tasks.

**Answer:**

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A, B, C

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