



**Free Questions for CMAPRA19-P03-1 by dumpssheet**

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## Question 1

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### Question Type: MultipleChoice

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The long-term prospects for interest rates in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using interest rate parity theory, what GBP/USD spot rate would you expect to see in six months' time?

#### Options:

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A) GBP/USD = 1.74

B) GBP/USD = 1.78

C) GBP/USD = 1.65

D) GBP/USD = 1.67

#### Answer:

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A

## Question 2

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**Question Type: MultipleChoice**

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Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for \$740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be \$5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to \$800 in three months' time?

**Options:**

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- A) \$62,000 gain
- B) \$95,000 gain
- C) \$88,000 gain
- D) \$16,000 loss

**Answer:**

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A

## Question 3

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**Question Type: MultipleChoice**

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The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using purchasing power parity theory, what GBP/USD spot rate would you expect to see in three months' time?

### Options:

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- A) GBP/USD1.69
- B) GBP/USD1.73
- C) GBP/USD1.77
- D) GBP/USD1.65

### Answer:

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B

## Question 4

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**Question Type:** CorrectText

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TRF is conducting a post completion audit on an investment in a pollution control machine that has reached the end of its five year useful life.

TRF could have been heavily fined if the machine had failed to keep pace with the output of emissions, measured in units. TRF's cost of capital is 10%. When the machine was purchased, there was a choice of three machines on the market:

TRF purchased the Big machine, but annual requirements only exceeded 600,000 once, in year 3, when 720,000 units of emissions were emitted.

Calculate the amount that the post completion audit shows TRF overpaid for the ownership costs associated with this machine.

Give your answer to the nearest whole \$ (in \$'000s).

**Answer:**

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## Question 5

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**Question Type:** MultipleChoice

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The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using purchasing power parity theory, what GBP/USD spot rate would you expect to see in three months' time?

**Options:**

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- A) GBP/USD1.69
- B) GBP/USD1.73
- C) GBP/USD1.77
- D) GBP/USD1.65

**Answer:**

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B

## Question 6

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**Question Type:** CorrectText

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TRF is conducting a post completion audit on an investment in a pollution control machine that has reached the end of its five year useful life.

TRF could have been heavily fined if the machine had failed to keep pace with the output of emissions, measured in units. TRF's cost of capital is 10%. When the machine was purchased, there was a choice of three machines on the market:

TRF purchased the Big machine, but annual requirements only exceeded 600,000 once, in year 3, when 720,000 units of emissions were emitted.

Calculate the amount that the post completion audit shows TRF overpaid for the ownership costs associated with this machine.

Give your answer to the nearest whole \$ (in \$'000s).

**Answer:**

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## Question 7

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**Question Type:** MultipleChoice

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The long-term prospects for interest rates in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using interest rate parity theory, what GBP/USD spot rate would you expect to see in six months' time?

**Options:**

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- A) GBP/USD = 1.74
- B) GBP/USD = 1.78
- C) GBP/USD = 1.65
- D) GBP/USD = 1.67

**Answer:**

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A

## Question 8

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**Question Type: MultipleChoice**

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Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for \$740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing



it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be \$5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to \$800 in three months' time?

**Options:**

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- A) \$62,000 gain
- B) \$95,000 gain
- C) \$88,000 gain
- D) \$16,000 loss

**Answer:**

---

A

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