



CIMAPRO19-P03-1 Practice Questions

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Question 1

Question Type: MultipleChoice

The board of OKN is considering an investment opportunity that will require the company to borrow a large amount in month 10 of the current financial year and to invest it immediately in property, plant and equipment. This investment has a positive net present value that justifies the risk, but the directors are reluctant to invest in the project.

Why might the directors be reluctant?

Options:

- A- The return on capital employed for the year will be reduced if the investment is made.
- B- The return on capital employed for the year will be increased if the investment is made.
- C- The year's profit will be depressed by the amount of the investment.
- D- Future profits will be depressed.

Answer:

A

Question 2

Question Type: MultipleChoice

Which THREE of the following are true with regard to managing the changeover from an old to a new computer system?

Options:

- A- Pilot changeover moves the simplest part of the business to the new system first
- B- Parallel running involves keeping the old system running normally until certain data retention criteria are met or confidence is gained, while the new system deals with the new workload Data input is usually earned out on both systems
- C- All methods of changeover carry high risk and it is the preparation consideration of data compatibility and data cleansing before the changeover which has the biggest impact on the smoothness of the transition
- D- Phased changeover moves individual portions of the business to the new system one at a time
- E- Direct changeover, or big bang, is only used when the systems are significantly different such that comparing the outputs of the two systems is largely irrelevant
- F- Phased changeover is the safest and slowest method of changeover

Answer:

D, E, F

Question 3

Question Type: MultipleChoice

Which of the following are true of interest rate swaps?

Options:

- A- Risk of default is high from the floating interest rate payer if interest rates rise.
- B- An interest rate swap is an external hedging technique.
- C- When interest rates are falling, the risk of default by the fixed interest rate payer is low.
- D- Some companies use interest rate swaps to deliberately increase their risks because they believe that they are better at predicting future interest rates than the market.
- E- An interest rate swap is an internal hedging technique.

Answer:

A, B, D

Question 4

Question Type: MultipleChoice

H is a departmental manager in a private college. The main measure of performance used to assess the Department Manager's effectiveness is meeting the college budgets. The budget for each year is based on the actual expenditure of the previous year adjusted for specific one-off items.

Which option best would arise from using the meeting of this type of budget as a performance measurement?

Options:

- A- Cost overruns because managers might fail to meet their budgets.
- B- Managers taking on new projects that have too much risk attached to them.
- C- Managers engaging in unnecessary spending in order to avoid having their budgets reduced the following year.
- D- Management of various departments not cooperating sufficiently with each other because

each is very concerned that to do so would incur extra costs against their budgets.

E- Management refusing to provide some necessary service to students (for example, extra tutorials) because it would cause their budget not to be met.

F- Management taking more than the optimal number of students into their department.

Answer:

C, D, E

Question 5

Question Type: MultipleChoice

You are a consultant to an international charity which provides aid to people displaced by war, civil unrest, and natural disaster. The charity has requested you to carry out a post implementation review on their new procurement and logistics system. Which TWO of the following should you be most concerned about when conducting this review?

Options:

A- An assessment of how the aid is used once it has arrived at its destination.

B- The identification of the reason for any cost overruns so as to be able to assign responsibility to particular individuals so that the management can deal with them as they see fit.

C- An assessment of the extent to which the new system has led to more efficient delivery of aid to those in need.

D- To create a record of good and bad experiences in relation to the implementation of the project so that the charity is able to learn from them should they decide to implement a similar project in the future.

Answer:

C, D

Question 6

Question Type: MultipleChoice

RFG is considering a major expansion that will result in a more diversified business model.

At present, RFG's market capitalisation is \$240 million. This is based on a beta of 1.6. The risk free rate is 4% and the market rate of return is 9%. RFG is financed entirely by equity. The company generates an annual cash surplus of \$28.8 million.

The expansion will cost \$50 million and will generate future cash flows of \$12 million in perpetuity. This new business will reduce RFG's beta to 1.4.

Calculate the adjusted present value of the expansion.

Options:

- A- \$81 million
- B- \$131 million
- C- \$321 million
- D- \$59 million

Answer:

A

Question 7

Question Type: MultipleChoice

TLY sell building materials such as bricks sacks of concrete and paving slabs to builders Materials are kept in a large yard Customer orders are fulfilled by a team of 30 employees who use forklift trucks to move sold items to the loading bay, from where they are loaded onto lorries for dispatch to the customer The sales office prepares dispatch notes, which are used by the yard employees to identify the items that have been ordered

Which TWO of the following controls would be cost-effective ways to prevent the theft of inventory by TLY's staff?

Options:

- A- Have a security guard check outgoing lorry loads of materials against a dispatch note
- B- Conduct random searches of yard staff when they are leaving at the ends of their shifts
- C- Install closed circuit television cameras covering the whole yard and with screens constantly monitored by security staff
- D- Forbid staff from parking their cars in the yard
- E- Have a separate buying department, whose staff do not have access to the yard to place orders for replacement inventory

Answer:

A, C

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