Free Questions for CIMAPRO19-P02-1 by dumpssheet

Shared by Parker on 20-10-2022

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: **MultipleChoice**

You have just assessed an investment proposal, involving an immediate cash outflow followed by a series of cash inflows over the next 7years, by deducing the NPV and the IRR. You have now discovered that you have

underestimated the discount rate.

Correcting the underestimation will have the following effect, relative to your original deductions:

Options:

A- NPV will reduce, IRR will not change

B- NPV and IRR will not change

C- NPV will increase, IRR will reduce

D- NPV and IRR will both increase

E- Not enough information given for an answer

Answer:

A

Question 2

Question Type: MultipleChoice

Company B, a video games developer, wants to use data to track the amount of traffic it receives on its social media pages. It specifically wants to find out the demographic it is most popular with on this platform, and

how it can branch out to different demographics through further advertising.

How best could the company use big data to expand its demographic reach?

Select ALL that apply.

Options:

A- Use other data detailing regional sales to target areas where the demographics in question form a large part of the population.

B- Resolve to focus advertising on the demographics with which the company is popular so as to save money.

C- Implement an aggressive marketing campaign targeted at the demographics in question.

D- Use the data to create new products that would appeal more to the demographics with which the company is not popular.

E- Create a blog appealing to the demographics in question with news about the company.

Answer:

A, B, C

Question 3

Question Type: **MultipleChoice**

Juan is looking to invest in the mining industry. He has narrowed his options down to two rival companies, both with sales of 200m. Company A has an EBIT of 10m whereas Company B has an EBIT of 14m.

This would suggest that Company B is the better investment but Juan is suspicious that Company B has more financial backing than Company A.

Which ratios will tell him which company will use his investment the best?

Options:

A- Profit margin

B- R.O.C.E

C- Current ratio

D- Quick ratio

Answer:

A, B

Question 4

Question Type: **MultipleChoice**

Oliver owns a computer repair company. He is looking to close of of his departments as the demand for computer cleaning has dropped dramatically in the last 2 years and is no longer profitable.

The contribution margin of the department is 12,000, and the overheads are 23,000 (out of which 4,000 cannot be eliminated).

How would closing this department impact operating income?

Options:

A- Increase operating income by 7,000

B- Decrease operating income by 7,000

C- Decrease operating income by 12,000

D- Increase operating income by 12,000

Answer:

A

Question 5

Question Type: MultipleChoice

Which of the following statements regarding multinational transfer pricing is INCORRECT?

Options:

A- Transfer prices affect tax liabilities and royalties because of different laws in countries.

B- If transfer prices are inflated, this will increase profits of buying division.

C- Companies have incentives to set transfer price to increase revenues in low-tax countries.

D- Companies have incentives to set transfer price to increase costs in high-tax countries.

Answer:

B

Question 6

Question Type: MultipleChoice

How does beyond budgeting NOT help to resolve the weaknesses of traditional budgeting? Select ALL that apply.

Options:

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:

D, E, F

Question 7

Question Type: **FillInTheBlank**

A company currently absorbs production overheads based on labor hours. The overheads absorbed by the two products that are made, L and M, are $4 per unit and $10 per unit respectively. These were based on the budgeted overheads of $7,000 and budgeted labor hours of 1,750. The budgeted output was 500 units of each product.

The company is investigating the use of activity based costing (ABC). Analysis has shown that the total production overheads of $7,000 are made up of $4,000 for set up costs and $3,000 for inspection costs. The cost driver for set up costs is the number of set ups and for inspection costs it is the number of inspections.

The cost driver rate for set ups is $160 per set up. Product L would need 5 production runs. Both types of product would need 1 set up for each production run.

Product L would need 2 inspections for each production run. Product M would need 1 inspection per production run.

The products are made in the same department and use the same equipment and staff but they are produced separately.

Which of the following statements are correct?

Select ALL that apply.

Answer:

Question 8

Question Type: FillInTheBlank

A company uses activity based costing. The total production overheads of $16,050 for the next period are for set up costs of $6,450 and quality inspection costs of $9,600. The company produces two products, Product F and Product G. Details relating to the next period are as follows:

	Product F	Product G
Budgeted output	1,000 units	2,000 units
Units per production run	100 units	400 units
Set ups per production run	1	1
Number of inspections per production run	4	8
Direct labour cost per unit ($)	5	6
Direct material cost per unit ($)	10	15

A new customer has offered to purchase Product F for $28.00 per unit. The only costs incurred would be those shown above.

What is the profit per unit of Product F that would be gained by accepting the offer? Give your answer to two decimal places.

Answer:

Question 9

Question Type: **FillInTheBlank**

An organization is considering purchasing a new machine which will cost $600,000. The new machine will generate cost savings of $200,000 each year for five years. The cost of capital is 12%.

The profitability index (PI) for the investment in the new machine is:

Give your answer to one decimal place.

Answer:

Question 10

Question Type: **FillInTheBlank**

A large supermarket is applying direct product profitability analysis to establish the profit earned by each of the products it sells.

Data for product P are as follows.

Selling price per unit	**$5.80**
Purchase price per unit	$5.30
Store general overhead cost per unit	$0.09
Distribution cost per case	$9.00
Number of units per case	150
Shelf stackers' wages per hour	$10.80
Number of units stacked per hour	180
Number of times shelf is stacked per day	3
Shelf space cost per cubic metre per day	$12.00
Number of units per cubic metre of shelf space	100

The shelf is stacked each time that all units are sold and there are no units of product P left unsold at the end of each day.

What is the direct product profit per unit of product P?

Give your answer to the nearest $0.01.

Answer:

Question 11

Question Type: **MultipleChoice**

A company is considering investing $680,000 in a machine to manufacture a new product. A consultant has been appointed to advise on the investment and the company is committed to paying $10,000 to the consultant in year 1, even if the project does not go ahead.

300,000 units of the new product will be produced and sold each year. Unit cost and revenue information based on this level of output is as follows.

	$ per unit
Selling price	52.00
Variable direct cost	35.00
Overhead, excluding depreciation	14.80

60% of the overhead cost is variable. Of the remainder, 10% consists of allocated head office overheads.

The selling price will increase by 2% each year in line with inflation, beginning in year 2. Fixed price contracts mean that all unit costs will remain unaltered.

Taxation information:

* 100% first year allowance will be available for the purchase of the machinery.

* The taxation rate is 30% of taxable profits, payable in the year after that in which the liability arises.

For the purpose of deciding whether to proceed with the investment, what is the relevant cash flow in year 2?

Options:

A- $1,102,320

B- $1,099,320

C- $1,326,960

D- $1,288,800

Answer:

A

Question 12

Question Type: **FillInTheBlank**

SQ has the opportunity to invest in project X. The net present value for project X is $12,600. Cash inflows occur in years 1, 2 and 3. The company's cost of capital is 14%.

Calculate the annualized equivalent annuity of project X.

Give your answer to the nearest whole $.

.

Answer: