

CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

DRAG DROP

Which of the following criticisms relate to traditional budgeting methods and which relate to the 'beyond budgeting' approach?

Select and Place:

| | | |
|---|--|-----------------------|
| Unresponsive to external changes | | |
| Requires a deep structural change which is difficult for organizations to implement | | |
| Focuses on cost control rather than value creation | | Traditional budgeting |
| Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items | | Beyond budgeting |
| Resources are pre-allocated rather than being available to managers on demand | | |
| Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions | | |

Correct Answer:

| | | |
|---|-----------------------|-----------------------|
| Unresponsive to external changes | Traditional budgeting | |
| Requires a deep structural change which is difficult for organizations to implement | Beyond budgeting | |
| Focuses on cost control rather than value creation | Traditional budgeting | Traditional budgeting |
| Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items | Beyond budgeting | Beyond budgeting |
| Resources are pre-allocated rather than being available to managers on demand | Traditional budgeting | |
| Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions | Beyond budgeting | |

QUESTION 2

An organization wants to increase the use value that customers place on one of its products - a laptop computer. Which of the following actions, taken to increase the value to the customer, would increase the product's use value? Select ALL that apply.

- A. Launching a marketing campaign designed to build the company's brand.
- B. Installing a touch screen to improve the computer's functionality.
- C. Changing the color of the computer's case.
- D. Adopting a premium pricing strategy for the computer.
- E. Fitting advanced components to improve the computer's performance.

Correct Answer: BE

QUESTION 3

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: 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.

| | 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. \$3.90

Correct Answer: A

QUESTION 4

An organization wishes to make its investment decisions on the basis of more than simply a financial appraisal. Which of the following will assist it to take into account both qualitative and quantitative factors?

- A. Cost Benefit Analysis
- B. Profitability Index
- C. Discounted Payback
- D. Modified Internal Rate of Return

Correct Answer: A

QUESTION 5

An organization is comprised of two divisions. One of the divisions manufactures a product that it sells both to an imperfect external market and to the other division. The organization wishes to establish the most suitable basis for the transfer

price for this product and is considering either a negotiated transfer price or a market-based transfer price.

Which of the following statements is correct?

- A. A negotiated transfer price could help to overcome the problem of establishing a single price for this external market.
- B. A single market price for all of the division's output can be determined easily whereas a negotiated transfer price may result in protracted negotiations.
- C. A negotiated transfer price will always result in goal congruence whereas this is not always true when using a single market-based transfer price.
- D. A market-based transfer price will ensure both divisional autonomy and goal congruence because part of the division's output is sold to the external market.

Correct Answer: A

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