CIMAPRO19-P02-1 Q&As

P2 - Advanced Management Accounting

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QUESTION 1

Risk management can be represented as a four step process. The four steps, shown randomly, are:

1.

Establish appropriate risk management policies.

2.

Risks are identified by key stakeholders.

3.

Risks are monitored on an ongoing basis.

4.

Risks are evaluated according to the likelihood of occurrence and impact on the organization.

Which of the following is the correct order for the four steps?

A. 1, 2, 3, 4

B. 2, 1, 4, 3

C. 1, 2, 4, 3

D. 2, 4, 1, 3

Correct Answer: D

QUESTION 2

When making an investment decision, which THREE of the following are reasons why receiving $1 today is preferable to receiving $1 in the future?

A. Uncertainty

B. Inflation

C. Taxation

D. Re-investment opportunities

E. Depreciation

Correct Answer: ABD

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

The following data relate to an investment opportunity. The percentage reduction in the annual revenue that could occur before the project is no longer financially viable is: A. 15.9%

	Year	Cash flow	Discount factor @ 10%	Present value
Initial investment	0	$(50,000)	1.000	$(50,000)
Revenue	1-5	$28,000	3.791	$106,148
Variable costs	1-5	$(12,000)	3.791	$(45,492)
Scrap proceeds	5	$10,000	0.621	$6,210

B. 56.0%

C. 28.6%

D. 212.3%

Correct Answer: A

QUESTION 5

A company expects to sell 3,600 units of Product A at a selling price of $750 per unit during the forthcoming year. The currently expected variable cost per unit is $860 per unit. The company requires a return of 15% during the forthcoming

year on its investment of $2.4 million in Product A. Absorbed general overheads are expected to amount to $40 per unit.

What is the target cost for each unit of product A in the forthcoming year?

A. $650

B. $250

C. $900

D. $850

Correct Answer: A

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